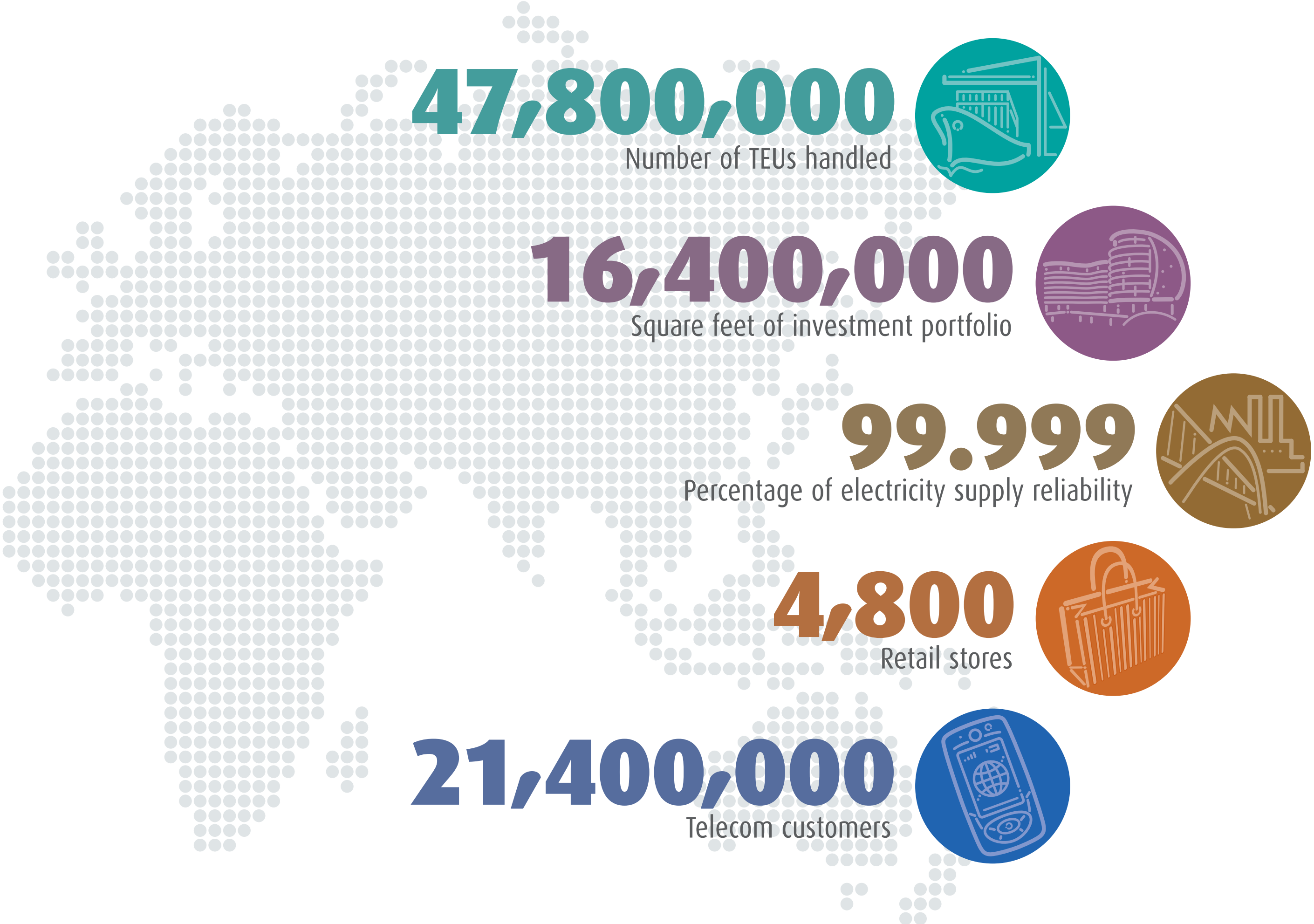

Annual Report 2004

Hutchison Whampoa Limited

Hutchison Whampoa Limited

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Contents

Corporate Information

Chairman
LI Ka-shing, KBE, GBM, LLD, DSSc, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Leopold, Commandeur de la Légion d'Honneur, JP [1]

Deputy Chairman
LI Tzar Kuoi, Victor, BSc, MSc

Group Managing Director
FOK Kin-ning, Canning, BA, DFM, ACA (Aus)

Executive Directors
CHOW WOO Mo Fong, Susan, BSc
Deputy Group Managing Director
Frank John SIXT, MA, LLL
Group Finance Director
LAI Kai Ming, Dominic, BSc, MBA
George Colin MAGNUS, OBE, BBS, MA
KAM Hing Lam, BSc, MBA

Non-executive Director
William SHURNIAK, LLD [4]

Independent Non-executive Directors
The Hon Michael David KADOORIE, GBS, LLD (Hon), Officier de la Légion d'Honneur, Commandeur de l'Ordre de Leopold II, Commandeur de l'Ordre des Arts et des Lettres
Holger KLUGE, BsC, MA [2],[4]
William Elkin MOCATTA, FCA
(Alternate to Michael David Kadoorie)
Simon MURRAY, CBE
OR Ching Fai, Raymond, JP
Peter Alan Lee VINE, OBE, VRD, LLD(Hon), JP [5]
WONG Chung Hin, CBE, JP [2],[3]

Company Secretary
Edith SHIH, BSE, MA, MA, EdM, FCS, FCIS

Auditors
PricewaterhouseCoopers

Bankers
The Hongkong and Shanghai Banking Corporation Limited
ABN AMRO Bank N.V.
Standard Chartered Bank (Hong Kong) Limited

(1) Chairman of Remuneration Committee
(2) Member of Remuneration Committee
(3) Chairman of Audit Committee
(4) Member of Audit Committee
(5) Retired on 7 January 2005

Hutchison Whampoa is a leading international corporation with businesses spanning the globe. We have over 180,000 employees working in operations in 45 countries. Our operations consist of five core businesses – ports and related services; property and hotels; retail and manufacturing; energy, infrastructure, finance and investments; and telecommunications.

Ports and Related Services

We are one of the world's largest independently owned container terminal operators in terms of throughput handled, holding interests in 39 ports comprising 219 berths in 19 countries, including interests in container terminals operating in five of the eight busiest container ports in the world. Our ports handled a combined container throughput of 47.8 million twenty-foot equivalent units ("TEUs") in 2004.

Property and Hotels

We hold a rental portfolio of office, commercial, industrial and residential space of approximately 16.4 million square feet, principally in Hong Kong and the Mainland as well as interests in a number of joint venture developments of residential, commercial, office, hotel and recreational projects, mainly in the Mainland. We also have ownership interests in 11 hotels in Hong Kong, the Mainland and the Bahamas.

Retail and Manufacturing

Our retail and manufacturing business consists of A S Watson, Hutchison Whampoa (China) ("HWCL") and Hutchison Harbour Ring ("HHR"). A S Watson, with over 4,800 stores worldwide, is one of the world's largest health and beauty retailers and an operator of supermarkets and consumer electrical goods retail chains. HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK. HHR, a listed subsidiary, engages in the design, marketing and sales of toys, telecommunications accessories and electronic products.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure is the largest listed infrastructure company in Hong Kong with operations in Hong Kong, Australia, the Mainland and the UK. Husky Energy is an integrated oil and gas company, one of the largest such companies listed in Canada. The results of the Group's treasury operations are also reported under this division. Our group treasury operation is responsible for the management and supervision of the Group's cash and other investments.

Telecommunications

We are one of the world's leading competitors in mobile telecommunications and one of the first operators in the world offering 3G services in Europe, Hong Kong and Australia under the brand name "**3**". The year 2004 was the first full year of operations for the Group's 3G businesses which have rapidly built up a customer base to currently total over eight million customers in eight countries. Hutchison Telecommunications International ("HTIL"), a listed subsidiary, focuses on emerging mobile and fixed line telecommunications markets with high growth potential. HTIL consists of 2G and 3G operations in Hong Kong (including Macau) and Israel, fixed line operations in Hong Kong, 2G mobile operations in India, Sri Lanka, Ghana, Paraguay and Thailand.

January

Telecommunications

Hutchison Telecom becomes the first operator to launch 3G multimedia services in Hong Kong. Later, in May, the company consolidates its 3G, GSM Dualband and CDMA services under the "**3**" brand.

February

Energy, Infrastructure, Finance and Investments

Hongkong Electric International finalises shareholding arrangements with five other shareholders for a 1,400-megawatt gas-fired power plant project in Thailand and becomes the largest foreign shareholder in the company.

April

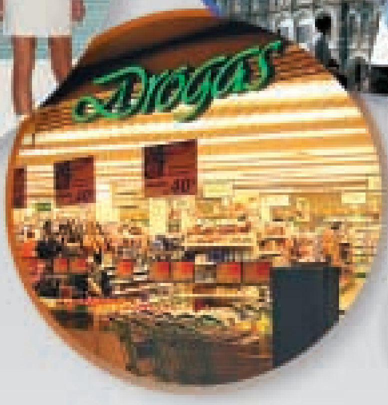
Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure ("CKI") acquires a 100% interest in Cambridge Water in South Cambridgeshire, the UK.

June

Retail and Manufacturing

A S Watson acquires Drogas, a leading health and beauty chain operating more than 80 stores in Latvia and Lithuania.



January

Retail and Manufacturing

Hutchison Harbour Ring ("HHR") and Global Brands Group are named exclusive licensing agent for the Mainland, Hong Kong and Macau by Warner Bros. Consumer Products ("WBCP"). HHR also provides sourcing services to WBCP licensees worldwide outside of the US and Canada.

March

Telecommunications

The Group's fixed line business is listed on the Stock Exchange of Hong Kong by way of the acquisition of Vanda Systems which is now renamed Hutchison Global Communications Holdings ("HGCH"). The Group currently holds a 52.5% interest in HGCH.

May

Retail and Manufacturing

Hutchison Whampoa (China) sells its remaining 20% interest in the Mainland joint venture Procter & Gamble-Hutchison to Procter & Gamble for a cash consideration of US$2 billion, realising a gain on disposal of HK$13.7 billion.

July

Energy, Infrastructure, Finance and Investments

CKI acquires a 40% interest in the Lane Cove Tunnel Company Pty Ltd in Australia which has been awarded a concession to build and operate the Lane Cove Tunnel and the Falcon Street Ramp in Sydney. In August, CKI acquires the North of England Gas Distribution Network which operates a major natural gas distribution network in the UK and on completion of the transaction, CKI will hold an approximate 40% interest in the company.

August

Retail and Manufacturing

A S Watson exercises its option granted by the former Kruidvat owner and acquires a 40% interest in Dirk Rossmann GmbH, a German health and beauty retail chain.

September

Ports and Related Services

Hutchison Port Holdings and Shanghai International Port Group form a joint venture to invest in a container terminal at Shanghai Waigaoqiao Phase V, with a tenure of 50 years.

October

Ports and Related Services

Hutchison Port Holdings is awarded a 30-year concession to build and operate six container terminals in Laem Chabang deep-sea port of Thailand and it also acquires a majority stake in Wolny Obszar Gospodarczy, a general cargo terminal in the Port of Gdynia, Poland, with a plan to develop it into a container terminal.

November

Retail and Manufacturing

A S Watson forges a joint venture, "GS-Watsons", with a leading South Korean retail company GS Retail to launch a personal healthcare retail chain under the brand name "Watsons" in 2005.

August

Energy, Infrastructure, Finance and Investments

Husky Energy signs a petroleum contract with the China National Offshore Oil Corporation ("CNOOC") for the 29/26 exploration block in the South China Sea. It is the seventh petroleum contract signed between Husky and CNOOC.

October

Telecommunications

Hutchison Telecommunications International successfully lists its shares on the stock exchanges of Hong Kong and New York.

October

Property and Hotels

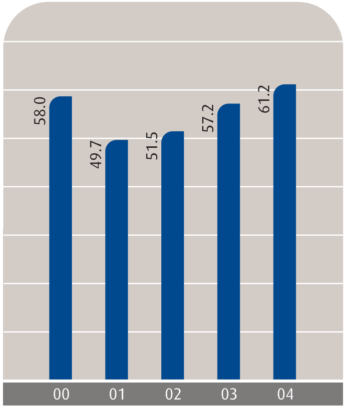
Hutchison Whampoa Properties wins the bid for a Chengdu plot in the Mainland and also successfully tenders for a plot in Xian in December.

December

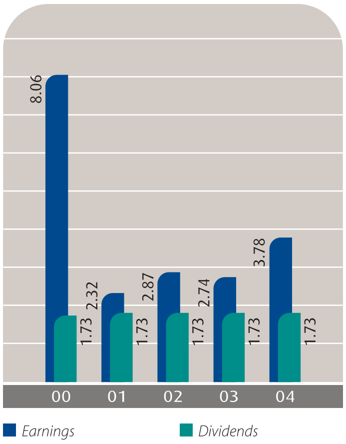
Property and Hotels

The Group, together with Cheung Kong (Holdings), announces the acquisition of a 100% interest in The Kowloon Hotel in Tsim Sha Tsui. This transaction is completed in February 2005 and the hotel is now operated by the Group's property and hotels division.

Net Assets per Share
HK dollars



Earnings and Dividends per Share
HK dollars



	2004 HK$ millions	As restated [4] 2003 HK$ millions	Change
Profit and loss account highlights			
Turnover [1]	**179,415**	145,609	**+ 23%**
Profit attributable to shareholders	**16,128**	11,677	**+ 38%**
Balance sheet highlights			
Fixed assets and licences	**313,075**	279,433	**+ 12%**
Total cash, liquid funds and other listed investments	**140,301**	185,542	**– 24%**
Bank and other interest bearing borrowings	**282,993**	273,144	**+ 4%**
Net debt [5]	**142,692**	87,602	**+ 63%**
Total assets	**654,235**	621,535	**+ 5%**
Shareholders' funds	**260,841**	244,017	**+ 7%**
Cash flow statement highlights			
Earnings before interest expense and other finance costs, taxation, depreciation and amortisation ("EBITDA") [2] and before prepaid 3G customer acquisition costs ("CAC") expense	**58,327**	33,903	**+ 72%**
EBITDA after prepaid 3G CAC expense	**49,904**	32,986	**+ 51%**
Earnings before interest expense taxation and minority interests ("EBIT") [3]	**19,367**	16,599	**+ 17%**
Funds from operations before capital expenditures, prepaid and postpaid 3G CAC and working capital changes	**15,829**	15,918	**–**
Capital expenditures, excluding property under development and for sale	**34,090**	36,393	**– 6%**
Additions to telecommunications postpaid 3G CAC	**12,804**	2,782	**+ 360%**
Key ratios and other information			
Net debt to net total capital ratio [5]	**33%**	24%	**+ 9%**
EBITDA after prepaid 3G CAC expense net interest coverage ratio	**6.7 times**	5.2 times	**+ 1.5 times**
Earnings per share (HK$)	**3.78**	2.74	**+ 38%**
Dividends per share (HK$)	**1.73**	1.73	**–**

(1): Turnover represents turnover of the Company and subsidiary companies as well as share of turnover of associated companies and jointly controlled entities.

(2): EBITDA is defined as earnings before interest expense and finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments and other earnings of a cash nature but excludes changes in the fair value of investment properties. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles.

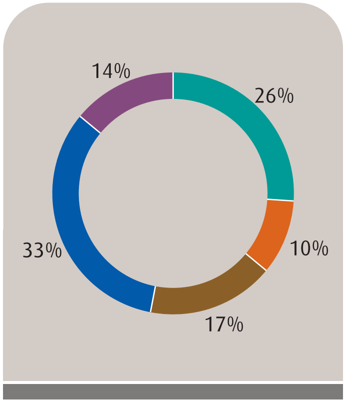
(3): EBIT (LBIT) is defined as earnings (loss) before interest expense and finance costs, taxation and minority interests. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles.

(4): The comparative figures have been restated to comply with the current year's presentation and adoption, with retrospective effect where applicable, of Hong Kong Financial Reporting Standard 3 "Business Combinations", Hong Kong Accounting Standard 36 "Impairment of Assets", Hong Kong Accounting Standard 38 "Intangible Assets", Hong Kong Accounting Standard 40 "Investment Property" and Interpretation 22 "The Appropriate Accounting Policies for Infrastructure Facilities". The effect of the adoption of these standards, which align Hong Kong accounting standards with International Financial Reporting Standards, reduced profit attributable to the shareholders for the year ended 31 December 2003 by HK$2,701 million (see Note 1a to the accounts).

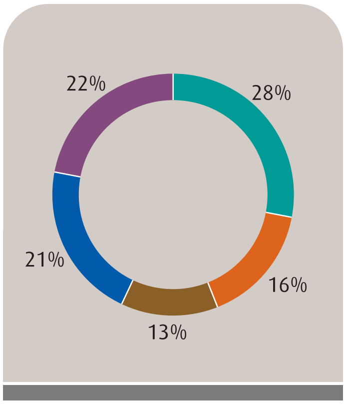
(5): Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total borrowings plus share capital, reserves and minority interests net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

Analyses by Core Business of Group Turnover, EBIT and Profit

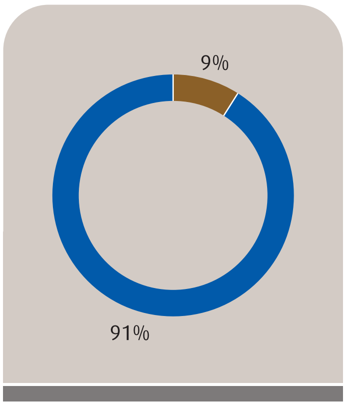
Turnover
By Geographical Area 2004



EBIT -
Established businesses
By Geographical Area 2004



LBIT -
Telecommunications - 3 Group
By Geographical Area 2004



Hong Kong *Mainland China*
Asia and Australia *Europe*
Americas and others

	2004 HK$ millions	As restated (4) 2003 HK$ millions	Change
Turnover (1)			
Established businesses			
Ports and related services	**26,980**	23,129	**+ 17%**
Property and hotels	**9,117**	11,224	**– 19%**
Retail and manufacturing	**74,445**	63,945	**+ 16%**
Cheung Kong Infrastructure	**12,410**	11,567	**+ 7%**
Husky Energy	**17,524**	14,886	**+ 18%**
Finance and investments	**4,791**	4,265	**+ 12%**
Hutchison Telecommunications International	**18,406**	13,434	**+ 37%**
Subtotal – established businesses	**163,673**	142,450	**+ 15%**
Telecommunications – 3 Group	**15,742**	3,159	**+ 398%**
Total	**179,415**	145,609	**+ 23%**
E B I T (3)			
Established businesses			
Ports and related services	**8,867**	7,597	**+ 17%**
Property and hotels	**3,125**	3,121	**–**
Retail and manufacturing	**3,654**	2,331	**+ 57%**
Cheung Kong Infrastructure	**5,237**	5,321	**– 2%**
Husky Energy	**2,793**	3,462	**– 19%**
Finance and investments	**8,681**	6,239	**+ 39%**
Hutchison Telecommunications International	**23**	1,025	**– 98%**
	32,380	29,096	**+ 11%**
Change in fair value of investment properties	**5,302**	(1,705)	**+ 411%**
Subtotal – established businesses before profit on disposal of investments and others	**37,682**	27,391	**+ 38%**
Telecommunications – 3 Group			
LBIT (3) before depreciation, amortisation and prepaid 3G CAC expense	**(7,291)**	(11,571)	**+ 37%**
Prepaid 3G CAC expense	**(8,423)**	(917)	**– 819%**
LBIT before depreciation and amortisation and after prepaid 3G CAC expense	**(15,714)**	(12,488)	**– 26%**
Depreciation	**(8,447)**	(4,015)	**– 110%**
Amortisation of licence fees	**(5,669)**	(2,185)	**– 159%**
Amortisation of postpaid 3G CAC	**(7,666)**	(997)	**– 669%**
Subtotal – **3** Group before profit on disposal of investments and others	**(37,496)**	(19,685)	**– 90%**
Profit on disposal of investments and others	**19,181**	8,893	**+ 116%**
Total	**19,367**	16,599	**+ 17%**
Profit attributable to shareholders			
Established businesses			
Ports and related services	**4,027**	3,194	**+ 26%**
Property and hotels	**5,459**	(576)	**+ 1048%**
Retail and manufacturing	**1,705**	588	**+ 190%**
Cheung Kong Infrastructure	**2,739**	2,439	**+ 12%**
Husky Energy	**1,528**	1,958	**– 22%**
Finance and investments	**8,984**	5,437	**+ 65%**
Hutchison Telecommunications International	**(2,318)**	611	**– 479%**
Subtotal – established businesses before profit on disposal of investments and others	**22,124**	13,651	**+ 62%**
Telecommunications – 3 Group before profit on disposal of investments and others	**(25,315)**	(10,704)	**– 137%**
Profit on disposal of investments and others	**19,319**	8,730	**+ 121%**
Total	**16,128**	11,677	**+ 38%**

The above information includes the Company, its subsidiary companies and its proportionate share of associated companies' and jointly controlled entities' respective items.

The EBIT (LBIT) in the analyses by geographical area are stated before change in fair value of investment properties and profit on disposal of investments and others.

Chairman's Statement

The Group benefited from its diversification and a general improvement in the world economy, reporting profit attributable to shareholders 38% better than last year, as restated (see note on page 15). The Group's established businesses reported another year of healthy growth and the 3G businesses, in their first full year of operations, increased their customer base to currently total over eight million and are on target to achieve earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") breakeven on a month-by-month basis in the latter part of this year.

Results

The Group's audited profit attributable to shareholders for the year amounted to HK$16,128 million, a 38% increase compared to last year's profit of HK$11,677 million, which has been restated for the retrospective adoption of Hong Kong Accounting Standards ("HKAS") recently issued by the Hong Kong Institute of Certified Public Accountants to align the standards with International Accounting Standards ("IAS", see note on page 15 and Note 1(a) to the attached accounts). Excluding the effect of adoption of these new standards in both years, profit attributable to shareholders was in line with last year. Earnings per share amounted to HK$3.78 (2003 – HK$2.74), an increase of 38%. These results include a profit on revaluation of investment properties of HK$5,302 million and a profit on disposal of investments and others totalling HK$19,181 million, comprising a profit of HK$1,300 million on disposal of a 26% interest in listed Hutchison Global Communications Holdings ("HGCH") in March, a profit of HK$13,759 million on the disposal of all of the Group's remaining 20% interest in the Procter & Gamble-Hutchison joint venture in the Mainland in May, a profit of HK$4,100 million from the listing of Hutchison Telecommunications International ("HTIL") in October, and others of HK$22 million.

Dividends

Your Directors have today declared a final dividend of HK$1.22 per share (2003 – HK$1.22), payable on 20 May 2005 to those persons registered as shareholders on 19 May 2005. The proposed final dividend, together with the interim dividend of HK$0.51 paid on 8 October 2004, gives a total dividend of HK$1.73 per share (2003 – HK$1.73) for the year. The share register of members will be closed from 12 May 2005 to 19 May 2005, both days inclusive.

Business Growth

I am pleased to report that 2004 represented a year of growth and all of the Group's operating business divisions continued to develop and expand their businesses. The Group's turnover grew 23% to total HK$179,415 million. Turnover from the established businesses grew 15% to HK$163,673 million, while turnover from the **3** Group grew 398% to HK$15,742 million, reflecting the substantial increase in the scale of its businesses, particularly during the second half of the year. Earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the established businesses, before investment property revaluation profit and profit on disposal of investments and others, grew 11% in 2004, reflecting strong growth in the ports and related services, retail and manufacturing as well as finance and investments divisions. The **3** Group made solid progress during the year, reducing the loss before interest expense and finance costs, taxation, depreciation and amortisation and before investment in prepaid customer acquisition costs ("LBITDA before expensed CAC") by 37%, from HK$11,571 million for the seven months of operations in 2003 to HK$7,291 million for the full year of 2004. This trend is expected to continue and the **3** Group is on target to reach the major milestone of becoming EBITDA breakeven after expensed CAC on a month-by-month basis in the latter part of this year.

> "Turnover for the year totalled HK$179,415 million, an increase of **23%** over last year."

Established Businesses

Ports and related services

The ports and related services division recorded another year of strong growth. Turnover grew 17% to HK$26,980 million. The combined throughput increased 15% to 47.8 million TEUs (twenty-foot equivalent units). EBIT increased 17% to HK$8,867 million.

The major contributors to the division's EBIT performance were as follows:

- In Hong Kong, Hongkong International Terminals reported growth of 18% in throughput and 4% in EBIT, compared to last year.
- Yantian port reported throughput growth of 19% and EBIT growth of 20%, reflecting new capacity from Phase III's four new berths which were completed in September 2004.
- The combined operations in Shanghai, Waigaoqiao, Ningbo, Xiamen and other Mainland ports reported strong growth with a 19% increase in throughput and a 17% increase in EBIT.
- In Europe, the combined throughput of the UK ports and Europe Container Terminal ("ECT") in Rotterdam grew by 23%. Combined EBIT increased 42%, mainly due to higher throughput and the effect of the strengthening British pound and Euro against the Hong Kong dollar.

"Profit attributable to shareholders for the year amounted to HK$16,128 million, a 38% increase."

- Operations in other Asian countries, the Middle East and Africa reported combined throughput 14% better than last year and EBIT increased 12% due to throughput growth in Busan and Gwangyang in South Korea, Dammam in Saudi Arabia and Laem Chabang in Thailand.

- Operations in the Americas and the Caribbean reported combined throughput 6% ahead of last year and EBIT increased 17% due to strong throughput growth in Buenos Aires in Argentina, partially offset by the effect of hurricanes on the port in Freeport in the Bahamas.

This division continued to expand its existing terminals and to invest in new opportunities which will contribute to throughput growth to higher record levels. In September, the Group announced the formation of a 50:50 joint venture with Shanghai International Port Group to acquire Waigaoqiao Phase V in Shanghai. In October, the Group entered into a 30-year concession agreement with the Port Authority of Thailand to develop six container terminals at Laem Chabang Port and in January this year completed its acquisition of an 83.53% stake in Gdynia Container Terminal, a terminal in the Port of Gdynia, Poland. Also in March this year, the Group entered into an agreement with the Alexandria Port Authority for the construction, operation and management of two terminals at Alexandria Port and El Dekheila Port in Egypt.

Property and Hotels

The property and hotels division reported EBIT of HK$3,125 million, in line with last year despite a 19% decrease in turnover due to lower sales of completed development projects in Hong Kong and the Mainland. Gross rental income of HK$2,391 million, mainly from properties in Hong Kong, remained at the same level as last year, and is continuing to provide strong recurrent income to the Group. Rental income is expected to rise in the near term in line with the recent upturn in the property market. Development profit came primarily from the sale of residential units and a hotel tower in Rambler Crest in Hong Kong, residential units in Cape Coral in Guangzhou, Horizon Cove in Zhuhai, Dynasty Garden in Shenzhen and Beverly Hills in Chongqing. This division is focused on actively and selectively seeking new development opportunities in the Mainland that are expected to give rise to future profits. In 2004 and the first three months of this year, the Group further increased its interests in landbank in the Mainland with the acquisition of land that can be developed into approximately 34.7 million square feet of mainly residential property. The Group's hotel businesses reported EBIT 494% better than last year's breakeven result, when the tourism industry was adversely affected by SARS.

Retail and Manufacturing

Turnover for the Group's retail and manufacturing division totalled HK$74,445 million, a 16% increase. EBIT from this division totalled HK$3,654 million, up 57%. The strengthening of the British pound and Euro against the Hong Kong dollar contributed 7% of the EBIT growth. This division continues to grow its retail brands and store concepts both organically through store additions, particularly in the Mainland, elsewhere in Asia and in Europe, as well as in new markets through partnerships and acquisitions. In June, the Group acquired Drogas, a health and beauty retail chain in Eastern Europe. In August, the Group exercised an option to acquire a 40% stake in Dirk Rossmann, the German health and beauty retail chain. In November, the Group announced a joint venture with a local strategic partner to develop a health and beauty retail chain in South Korea. Earlier this year, the Group announced a cash offer for the listed, 1,226-store, health and beauty retailer – Marionnaud Parfumeries of France, and acquired Cosmo Shop, a health and beauty chain in Turkey. The retail division currently operates in 18 countries with over 4,800 retail outlets and will continue to grow both in Europe and Asia as good opportunities arise.

Energy, Infrastructure, Finance and Investment

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover of HK$4,460 million and profit attributable to shareholders of HK$3,556 million, 4% and 6% above last year respectively. During the year, CKI continued to expand and diversify its investments overseas, including entering into agreements to acquire a 40% interest in the North of England Gas Distribution Network, which operates a major profitable natural gas distribution network, extending south from the Scottish border to South Yorkshire in the UK. This acquisition is expected to be completed in 2005.

Husky Energy ("Husky"), a listed associated company, announced turnover of C$8,440 million and profit attributable to shareholders of C$1,006 million, 25% below last year, mainly due to the negative impact of Husky's crude oil hedging programme, which expired at the end of 2004, the relative performance of the Canadian dollar to the US dollar this year and last year, and a non-recurring tax rate reduction in 2003. Notwithstanding the impact of the hedging programme, Husky achieved strong operational and financial results for the year, and based on currently prevailing oil and gas prices, is expected to provide substantial earnings growth in 2005. In November, Husky declared a special cash dividend of C$0.54 per share.

The Group's EBIT from its finance and investments operations, which mainly represents returns earned on the Group's substantial holdings of cash and liquid investments, amounted to HK$8,681 million, an increase of 39%, mainly due to realised foreign exchange gains and profits on disposal of certain equity and fixed-income securities held as investments. The Group's consolidated cash and liquid investments at 31 December 2004 totalled HK$140,301 million, and consolidated debt was HK$282,993 million, resulting in a Group net debt position of HK$142,692 million and an overall net debt to net total capital ratio of approximately 33%. Currently, over 68% of the Group's debt matures in five years and beyond.

"Consolidated cash and liquid investments totalled HK$140,301 million."

Hutchison Telecommunications International

The Group's principal 2G assets together with its fixed line business were completely re-organised in 2004.

In March, the Group's fixed line business was listed by way of the acquisition of Vanda Systems, a Hong Kong Stock Exchange listed associate of the Group now renamed Hutchison Global Communications Holdings ("HGCH"). Following the merger, a placement was effected reducing the Group's common shareholding in this business to 52.5%.

In October, the Group's interests in HGCH together with its major interests in 2G cellular businesses were combined under a single parent, HTIL, which was then listed by way of initial public offering on the Hong Kong Stock Exchange and the New York Stock

Exchange. Following the initial public offering, the Group's shareholding in this new subsidiary is approximately 70%.

On 7 March 2005, HTIL announced its annual results for 2004. Highlights included a mobile customer base of over 12.5 million at year end, representing 47% growth in the year, increased turnover of 48% year-on-year to HK$14,960 million and profits attributable to shareholders of HK$72 million for the year. These results reflect the strong growth of the India operation and Partner Communications' ("Partner") business in Israel and also include the 3G Hong Kong start-up losses in its first year of operations.

In February this year, HTIL announced that it had entered into a joint venture with Hanoi Telecommunications Joint Stock Company to build and operate a mobile network in Vietnam, and recently entered into a conditional agreement to acquire a 60% interest in PT Cyber Access Communications, the holder of a combined 2G and 3G licence in Indonesia. In addition, Partner announced a share buy-back transaction which, if approved, will result in HTIL increasing its ownership of Partner from 43% to over 50%.

3 Group Businesses

The Group's strategy in 2004 as a first mover in major developed mobile markets around the world has begun to yield tangible results. In 2004, the **3** Group was amongst the fastest growing operators in developed mobile markets. The **3** Group's and HTIL's 3G customer base at 30 March totalled over eight million, with over 1.7 million new customers added in the first quarter this year following a very successful holiday season which saw sales of over 900,000 in November and 1.3 million in December. In several of our markets, **3** is now recognised as the mobile industry leader in product offering and growth momentum. In all of our markets, the **3** brand was synonymous with 3G mobile technology well before any local competitor had launched a competitive 3G offering.

"The 3 brand was synonymous with 3G mobile technology."

Average revenues for **3** customers, which are detailed below, remain substantially above market averages in all of our markets, driven both by customer quality and stronger than expected take-up of non-voice services such as content, multi-media messaging and video services. Measured on content services, for example, the **3** Group would be one of the largest wireless value added services operators in the world.

As a result, **3** Group revenues have increased rapidly, reaching HK$15,742 million for 2004, nearly five times the revenue contribution for the seven months of operations in 2003. As average customer numbers grow and with costs tightly managed, the **3** Group is progressing rapidly to achieving its stated target of being EBITDA breakeven after expensed CAC on a month-by-month basis in the latter part of this year.

In the UK, **3** achieved an important milestone with EBITDA breakeven before expensed CAC on a month-by-month basis in December 2004 as well as for the first quarter of this year. **3** in Italy likewise is expected to achieve this milestone on a month-by-month basis starting from April this year.

Despite new competition as incumbents launch 3G services, unit CAC is expected to continue to decline in 2005. Unit CAC in the last half of 2004 averaged €271 compared to the seven-month average of €299 announced with our interim results. The principal factor in the decline is rapidly dropping average handset prices, reflecting increases in both the number of suppliers offering quality product and the range of product specifications and price points offered.

Key Business Indicators

Current key business indicators for the **3** Group and HTIL's 3G businesses are:

	3G Customers at 30 Mar 2005 ('000)	12-month Average Revenue per User ("ARPU") (1) in 2004		Mix of Postpaid / Prepaid Customers (ratio)	Estimated Network Service Coverage (2) at 28 Feb 2005	
		Local Currency / HK$	Non-voice ARPU%		3G	Voice
Australia	543	A$88.23 / 506.78	13%	85/15	68% (3)	92%
Austria	240	€62.18 / 610.85	12%	85/15	47%	99%
Italy	3,560	€47.17 / 463.91	23%	10/90	74%	99%
Sweden & Demark	414	SEK397.06 / 429.82	14%	84/16	84%	99%
United Kingdom	3,021	£40.30 / 578.04	20%	45/55	82%	99%
3 Group Total/Average	7,778	€52.43 / 515.11	20%	36/64		
Hong Kong	282	HK$240.00 / 240.00	23%	100/0	99%	99%
Israel (4)	20					
Total	8,080					

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average active customers, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding 3 months.

Note 2: % of population.

Note 3: % of licence population.

Note 4: 3G operations in Israel commenced in December 2004 and the key business indicators are not meaningful.

3 Group reported LBITDA of HK$15,714 million, loss before interest expense and finance costs, taxation and minority interests ("LBIT") of HK$37,496 million and net loss after taxation and minority interests ("NLAT") of HK$25,315 million in 2004. Reported LBITDA, LBIT and NLAT from the **3** Group for 2004 appears higher than expected on the basis of previous Group reporting. This is due to the retrospective adoption of the most recent interpretation of the applicable HKAS relating to CAC and their IAS counterparts. This change results in an additional expense for the **3** Group of HK$9,588 million comprised of HK$8,423 million of prepaid CAC that would have been capitalised under previously applicable interpretations, and an additional CAC amortisation expense of HK$1,165 million for the year that would not have been charged under previously applicable interpretations. Looking forward, this change will result in lower amortisation expense in future years and therefore improved future reported earnings. It must be stressed that this change is not indicative of any adverse performance in the **3** Group businesses during the year and, of course, does not reflect any change in the cash flow profile and funding requirements of the businesses, which are within expectations.

Excluding the effect of this change, the **3** Group's recurring operating results have continued to improve steadily, with LBITDA before expensed CAC reducing from HK$11,571 million for the seven months of operations in 2003 to HK$7,291 million for the full year of 2004. Further, excluding the one-off positive impact of contributions from suppliers of HK$4,982 million in 2004, LBITDA before expensed CAC reduced from HK$8,557 million in the last half of 2003 to HK$7,527 million in the first half of 2004 and HK$4,746 million in the second half of 2004.

In addition, foreign currency movements, particularly in the Euro and the British pound against the HK dollar also adversely affected the reported LBITDA, LBIT and NLAT. These movements of course do not reflect any adverse operating performance, however, they did increase LBITDA, LBIT and NLAT by approximately HK$1,350 million, HK$2,850 million, and HK$1,950 million respectively.

Reported LBIT and NLAT in 2004 includes a full 12 months of depreciation and amortisation charges, compared to seven months in 2003. As a result, depreciation and amortisation of licence costs and capitalised CAC increased by 203% in 2004 to HK$21,782 million. In addition, the **3** Group’s NLAT reflects a deferred taxation credit for the year of HK$8,589 million compared to HK$6,762 million in 2003. The credit reflects the expected future tax benefit of the current year’s tax deductible losses. The current **3** Group performance trend provides convincing evidence that it is probable that these benefits will be realised.

Although losses at the LBIT and NLAT level are expected to be reported in 2005 as the **3** Group builds its businesses, these losses will narrow, reflecting a rapid growth in the customer base and the resulting recurring revenues, achieving positive EBITDA operations and reflecting reduced amortisation expense from the new required CAC accounting. Capital spending is expected to decline after the networks expansion to meet customer growth is completed. As a result, **3** Group will exit 2005 in a position to begin to contribute positively to the Group’s results.

“The results of 2004 reflect the overall solid growth of the Group's established businesses.”

Outlook

The results of 2004 reflect the overall solid growth of the Group’s established businesses and the realisation of profit on disposal of investments and cash proceeds from the disposal of a non-core business asset and the initial public offerings of certain of our telecommunication businesses. The Group’s established businesses continued to generate strong and growing cash flow. EBITDA from the Group’s established businesses grew 44% to HK$65,618 million.

The **3** Group achieved substantial business momentum in 2004 and will continue to press its first mover advantage through 2005. With the expected achievement of EBITDA breakeven on a month-by-month basis in the latter part of this year, the Group’s operating loss profile in respect of this business, will improve in 2005 and future years. Consequently, I believe the market has begun to recognise the value created in this business which going forward, will be judged more as opportunity than risk for the Group. Although we do not underestimate the impact of competition in 2005 and subsequent years, we remain confident that the **3** Group will continue to gain market share and take its place as a strong player in each of its markets.

The world economy generally improved in 2004, despite rising US dollar interest rates and a high oil and commodities price environment. We expect modest continuing improvement in 2005 under similar conditions with continuing strong growth in the Mainland and Hong Kong, India and elsewhere in Asia. All of the Group’s established businesses are expected to achieve strong operating performances as well as solid financial performances. Each of our ports, infrastructure, energy, property and retail businesses is making an improved contribution to our Group’s “sum of the parts” valuation, and each is expected to continue to produce both short and long term satisfactory returns to the Group. With the **3** Group

The 3 Group achieved substantial business momentum in 2004 and will continue to press its first mover advantage through 2005.

becoming self-financing in the 2005-2006 period, plans are already being made to put in place appropriate new capital structures for the Italy and UK businesses which will maximise their value contribution to our Group. All of this gives me confidence that 2005 will be another year of solid achievement and value creation for our shareholders.

Mr Li Fook-wo and Mr Peter Alan Vine, have both retired from their positions as Directors of the Company. Mr Li has served on the Board of the Company since 1977, and prior to that on the Board of A S Watson, a subsidiary company, since 1953. Mr Vine has served on the Board of the Company since 1977, and prior to that on the Boards of several subsidiaries since 1965. I wish to take this opportunity, personally and on behalf of all Board members, to express our utmost gratitude to Mr Li for his 50 years of service, and to Mr Vine for his 40 years of service; their many substantial and invaluable contributions to the Group are deeply appreciated. We wish them all the best in their retirement. I also wish to welcome Mr Holger Kluge as an Independent Non-executive Director who brings a wealth of international financial experience to the Board.

I would like to thank the Board of Directors and all employees around the world in all of our businesses for their professionalism, enterprise, hard work, loyal support and dedication.

Li Ka-shing
Chairman

Hong Kong, 31 March 2005

Basis of Preparation of Accounts

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is pursuing its policy objective of full convergence with the standards and interpretations established by the International Accounting Standards Board ("IASB"). To this end, the HKICPA has recently issued over a dozen new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which are effective for the financial year beginning 1 (a) January 2005, with the objective to eliminate, to the greatest extent possible, the differences that currently exist between HKFRS and IAS. Early adoption of these standards is encouraged. As further explained in Note 1(a) to the accounts, the Group has adopted retrospectively, where required, the current interpretation of four of those standards that are believed to have the most material effect on the Group's accounts and, as a result, the profit attributable to shareholders in 2004 and 2003 have been materially affected and the 2003 profit is required to be restated to be comparable on a consistent basis of accounting. The results of 2003 have been restated to reflect the Group's adoption, with retrospective effect where applicable, of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets", HKAS 40 "Investment Property" and, in addition, Interpretation 22 "The Appropriate Accounting Policies for Infrastructure Facilities". In 2004, prepaid CAC of HK$8,423 million (2003 – HK$917 million) previously capitalised have been expensed and capitalised postpaid CAC are now amortised over 12 months, previously 36 months, resulting in increased amortisation expense in 2004 of HK$1,472 million (2003 – HK$612 million). In 2004, the increase in valuation of investment properties of HK$5,302 million (2003 – decrease of HK$1,705 million) has been included in the calculation of profit, having previously been credited directly to reserves. At 1 January 2004, goodwill totalling HK$11,787 million deducted from reserves in previous years is not to be recognised in the profit or loss calculation on disposal of the related business and will remain as a reduction of reserves. In 2004, the Group sold 29.84% of HTIL and goodwill in reserves related to the disposal of this business of HK$2,011 million was not included in the calculation of the profit. The net effect after taxation and minority interests of the adoption of these standards, which align HKAS with IAS, increased profit attributable to shareholders for the year ended 31 December 2004 by HK$1,702 million and reduced profit attributable to the shareholders for the year ended 31 December 2003 by HK$2,701 million.

Operations Review

Consolidated Operating Results

The Group's activities are focused on five core business divisions – ports and related services; property and hotels; retail and manufacturing; energy, infrastructure, finance and investments; and telecommunications.

The Group's turnover and earnings before interest expense and finance costs, taxation and minority interests ("EBIT") for 2004, including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment on page 7 of this Report and also in Note 3 to the accounts. The table below summarises the results by EBIT of the core businesses and they are discussed in more detail in the following pages.

Overall Summary

The Group's EBIT for the year from its established businesses, excluding investment property revaluation profit, profit on disposal of investments and **3** Group's losses, was HK$32,380 million, an 11% increase over 2003. The Group's consolidated EBIT for the year, including the above items totalled HK$19,367 million, 17% above last year.

The profit attributable to shareholders for the year was HK$16,128 million, which is 38% ahead of last year's amount of HK$11,677 million. This profit comprises HK$41,443 million from the Group's established businesses, including profit on disposal of investments and others of HK$19,319 million (2003 – HK$920 million), a 184% increase over last year, and HK$25,315 million of losses from the **3** Group in its first full year of operations.

Earnings Before Interest Expense, Finance Costs, Taxation and Minority Interests

	2004 HK$ millions	As restated * 2003 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**8,867**	7,597	**+17%**
Property and hotels	**3,125**	3,121	**–**
Retail and manufacturing	**3,654**	2,331	**+57%**
Cheung Kong Infrastructure	**5,237**	5,321	**-2%**
Husky Energy	**2,793**	3,462	**-19%**
Finance and investments	**8,681**	6,239	**+39%**
Hutchison Telecommunications International	**23**	1,025	**-98%**
EBIT before the following	**32,380**	29,096	**+11%**
Change in fair value of investment properties	**5,302**	(1,705)	**+411%**
EBIT of established businesses before profit on disposal of investments and others	**37,682**	27,391	**+38%**
3 GROUP			
Loss before interest expense and finance costs, taxation and minority interests ("LBIT") before depreciation, amortisation and prepaid 3G CAC expense	**(7,291)**	(11,571)	**+37%**
– Prepaid 3G CAC expense	**(8,423)**	(917)	**-819%**
LBIT before depreciation and amortisation and after prepaid 3G CAC expense	**(15,714)**	(12,488)	**-26%**
– Depreciation	**(8,447)**	(4,015)	**-110%**
– Amortisation of licence fees	**(5,669)**	(2,185)	**-159%**
– Amortisation of postpaid 3G CAC	**(7,666)**	(997)	**-669%**
LBIT OF 3 Group before profit on disposal of investments and others	**(37,496)**	(19,685)	**-90%**
Profit on disposal of investments and others	**19,181**	8,893	**+116%**
Total EBIT	**19,367**	16,599	**+17%**
Interest expense and finance costs	**(12,712)**	(9,568)	**-33%**
Profit before taxation	**6,655**	7,031	**-5%**
Taxation			
– Current taxation	**(3,776)**	(2,758)	**-37%**
– Deferred taxation	**6,818**	5,854	**+16%**
	3,042	3,096	**-2%**
Profit after taxation	**9,697**	10,127	**-4%**
Minority interests	**6,431**	1,550	**+315%**
Profit attributable to shareholders	**16,128**	11,677	**+38%**

* *See Note 1(a) to the accounts.*

291,580,000
Length of boxes lined end-to-end in metres

42,417,800
Area of port facilities in square metres

65,700
Berth length in metres

1 South Korea	6 Thailand	11 Egypt	16 United Kingdom
2 Indonesia	7 Myanmar	12 Poland	17 Argentina
3 Hong Kong	8 Pakistan	13 Germany	18 The Bahamas
4 Mainland China	9 Saudi Arabia	14 The Netherlands	19 Panama
5 Malaysia	10 Tanzania	15 Belgium	20 Mexico

The Group is one of the world's largest independently owned operators of container terminals and currently has interests in 39 ports with 219 berths in 19 countries.

Turnover for the ports and related services division totalled HK$26,980 million, a growth of 17%, reflecting a 15% increase in annual throughput to reach 47.8 million twenty-foot equivalent units ("TEUs"). This division continues to provide a steady income stream to the Group, contributing 16% to both the Group's turnover and EBIT from its established businesses for the year. This division's throughput increase arose from growth of the existing ports in Hong Kong, Yantian, Shanghai and Europe Container Terminals ("ECT") in Rotterdam, and a full year contribution from Shanghai Pudong International Container Terminals at Waigaoqiao Phase I, which was acquired in March 2003. EBIT from this division increased 17% to HK$8,867 million, mainly due to the increased throughput.

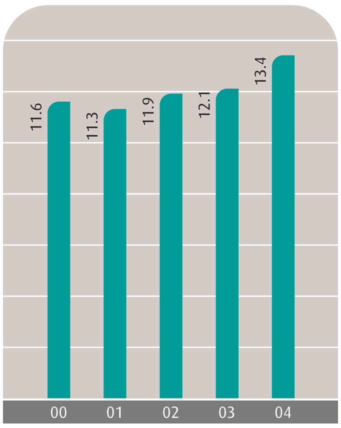
Hong Kong and Yantian

The Group's Hong Kong and Yantian deep-water port operations serve the Shenzhen and Southern China manufacturing basin. Combined throughput in these two operations increased 18%, and EBIT was 10% better than last year, reflecting strong export volumes in Hong Kong and Yantian and increased throughput growth in Hong Kong. The port of Hong Kong remained the world's busiest container port in 2004.

In Hong Kong, Hongkong International Terminals ("HIT") operates Terminals 4, 6, 7 and two berths in Terminal 9 at Kwai Chung, while COSCO-HIT Terminals ("CHT"), a joint venture company, operates Terminal 8 East. Combined throughput at HIT and CHT increased 17% compared to last year, while Yantian International

Kwai Chung Container Throughput

Million TEUs



See Note below

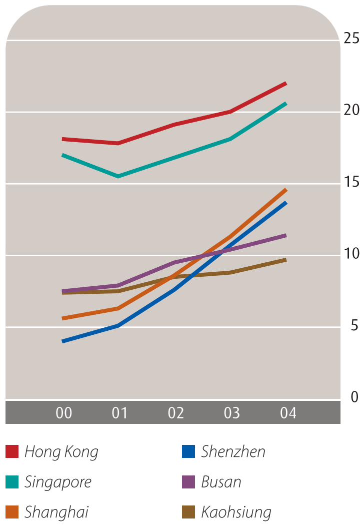
HIT & CHT Container Throughput

Million TEUs

See Note below

Comparsion of Container Throughput

Million TEUs



Note: The published statistics from the Hong Kong Marine Department for the total of local and transshipment throughput in the Kwai Chung Container Throughput graph incorporate liftings to or from ocean going vessels and containers received from or delivered to ports located within the river trade zone (as defined by the Hong Kong Marine Department) through water-borne traffic. Throughput figures of HIT and COSCO-HIT exclude this water-borne traffic, consistent with the treatment of containers transported to or from locations within the river trade zone by trucks.

Hongkong International Terminals, the flagship of Hutchison Port Holdings, proudly retains its position as a world leader in container handling.

Container Terminals recorded another year of growth with throughput increasing 19%. Two berths at Container Terminal 9 were completed and equipped in February. Yantian Phase III development, which comprises four container berths adjacent to the existing five berths of Phase I and II facilities, was completed in September and the supporting 300,000-square-metre container yard is scheduled to be completed by the end of 2005. This division will continue to expand its capacity in the Yantian port to meet the expected growth in throughput.

Other operations in Hong Kong include the mid-stream and river trade businesses. Throughput of Asia Port Services (formerly Mid-Stream Holdings) decreased 16% due to heavy competition from all Kwai Chung terminal operators and EBIT was reduced by 6%. River Trade Terminal, a joint venture which principally serves the water-borne trade between the Pearl River Delta region and Hong Kong, continued to be affected by competition but losses have been reduced.

Hong Kong and Yantian throughput :
18,280,000 TEUs

Name	Location	Group's Interest	2004 Throughput
			(thousand TEUs)
Hongkong International Terminals/COSCO-HIT Terminals	Kwai Chung	86.5% / 43.25%	7,452
Asia Port Services (formerly Mid-Stream Holdings)	Hong Kong	100%	2,038
River Trade Terminal	Tuen Mun	43%	2,530
Yantian International Container Terminals	Yantian, PRC	48%	6,260
Yantian International Container Terminals (Phase III)	Yantian, PRC	42.7%	

Name	Location	Group's Interest	2004 Throughput
			(thousand TEUs)
Hutchison Ports (UK) – Felixstowe, Thamesport and Harwich	UK	100%	3,318
Europe Container Terminals	Netherlands	98%	5,033

Europe

The Group's UK port operations, consisting of Felixstowe, Thamesport and Harwich, reported a throughput increase of 11% compared to last year, mainly from increased Asian trade, and an EBIT increase of 42%, mainly due to higher throughput and the effect of the strengthening British pound against the Hong Kong dollar. Harwich port's passenger and freight roll-on/roll-off services reported passenger traffic in line with last year and higher freight volume. Expansion of the Trinity Terminal at the Port of Felixstowe was completed in November.

Europe throughput :
8,351,000 TEUs

ECT in Rotterdam reported throughput 33% above last year from increased Asian trade. EBIT was 41% above last year reflecting increased throughput and the effect of the strengthening Euro against the Hong Kong dollar.

In January this year, the Group acquired an 83.53% interest in Gdynia Container Terminal, a general cargo terminal in the Port of Gdynia, Poland, with a plan to develop it into a modern container terminal with three berths. The first phase of this development is scheduled for completion in the fourth quarter of 2005.

A bird's eye view of ECT Delta Terminal in Rotterdam

Asia, Middle East and Africa

These operations comprise container terminals in Jakarta in Indonesia, Dammam in Saudi Arabia, Busan and Gwangyang in South Korea, Klang in Malaysia, Dar es Salaam in Tanzania, Karachi in Pakistan and Laem Chabang in Thailand.

In Indonesia, Jakarta International Container Terminal and the adjacent Koja Container Terminal continued to operate in a challenging environment and reported combined throughput 7% above last year, but EBIT declined 8% due to tariff pressure.

In Saudi Arabia, International Ports Services reported throughput growth of 17% and EBIT increased 30% compared to last year.

Tanzania International Container Terminal Services reported throughput growth of 29% and EBIT increased 22%, mainly due to a strong regional economy.

In Malaysia, Kelang Multi Terminal reported throughput growth of 9% and EBIT increased 24%.

In Pakistan, Karachi International Container Terminal ("KICT") reported throughput growth of 10% and EBIT increased 1% compared to last year. The Phase II expansion plan was completed in 2004, which provided approximately 33% additional handling capacity. In January this year, KICT entered into an agreement with the Karachi Port Trust for the Phase III development at West Wharf of Karachi Port. In addition to extending the existing concession period to 2027, the project involves dredging the quay draft, re-developing additional land area adjacent to the terminal and acquiring additional quayside and container yard equipment.

An aerial view of Jakarta International Container Terminal (right) and Koja Container Terminal (left). Both terminals are strategically located in the industrial heartland of West Java, Indonesia.

Name	Location	Group's Interest	2004 Throughput
			(thousand TEUs)
Jakarta International Container Terminal and Koja Container Terminal	Indonesia	51% / 47.9%	2,183
International Ports Services	Saudi Arabia	51%	744
Tanzania International Container Terminal Services	Tanzania	70%	259
Kelang Multi Terminal	Malaysia	31.5%	2,391
Karachi International Container Terminal	Pakistan	100%	400
Hutchison Korea Terminals (two terminals in Busan and one terminal in Gwangyang)	South Korea	100%	2,697
Korea International Terminals	South Korea	88.9%	169
Thai Laem Chabang Terminal	Thailand	88%	386

In South Korea, the Group's Hutchison Korea Terminals, which operates two terminals in Busan and one in Gwangyang, reported a throughput increase of 11% and an EBIT increase of 44%. In May, the Group increased its stake in Korea International Terminals from 80% to 88.9%.

In October, the Group entered into a 30-year concession agreement with the Port Authority of Thailand to develop six container terminals. The 16 berth facilities will be developed over a period to 2012.

Container yard view of Shanghai Pudong International Container Terminals.

Mainland China

At Shanghai Container Terminals, both throughput and EBIT rose 9% compared to last year. Shanghai Pudong International Container Terminals, which operates Phase I of Waigaoqiao Container Terminals, reported throughput 32% and EBIT 42% above last year. The Group's 49% owned Ningbo Beilun International Container Terminals reported throughput growth of 23% and EBIT 43% above last year. In September, the Group announced the formation of a 50:50 joint venture - Shanghai Mingdong Container Terminals - with Shanghai International Port Group to operate the terminals at Waigaoqiao Phase V in Shanghai Pudong for a 50-year concession period. The new terminal will have four deep-water and two feeder berths and is expected to commence operations in July 2005.

Hutchison Delta Ports' six joint venture river and coastal ports in Jiuzhou, Nanhai, Gaolan, Jiangmen, Xiamen and Shantou reported another year of improved performances. Container throughput and general cargo handling increased 21% and 33% respectively and the combined EBIT increased 19% compared to last year.

Name	Group's Interest	2004 Throughput
		(thousand TEUs)
Shanghai Container Terminals	37%	3,661
Shanghai Pudong International Container Terminals (Waigaoqiao Phase I)	30%	2,340
Ningbo Beilun International Container Terminals	49%	1,664
Pearl River Delta Ports in Southern China - Jiuzhou, Nanhai, Gaolan and Jiangmen	50%	767
Xiamen International Container Terminals	49%	743
Shantou International Container Terminals	70%	86

Name	Location	Group's Interest	2004 Throughput
			(thousand TEUs)
Internacional de Contenedores Asociados de Veracruz	Mexico	100%	617
Lazaro Cardenas Terminal Portuaria de Contenedores	Mexico	51%	45
Panama Ports Company	Panama	90%	592
Buenos Aires Container Terminal Services	Argentina	100%	243
Freeport Container Port	Bahamas	60%	1,052

The Americas and The Caribbean

These operations comprise the ports in Veracruz, Ensenada and Lazaro Cardenas in Mexico, Balboa and Cristobal in Panama, Buenos Aires in Argentina and Freeport in the Bahamas.

Internacional de Contenedores Asociados de Veracruz, on the eastern coast of Mexico, reported a throughput decline of 7% due to the slow recovery of the local economy, but EBIT increased 2% compared to last year.

In Panama, the Group operates the ports of Balboa and Cristobal, located near both ends of the Panama Canal. The combined throughput increased 10%, and EBIT was 70% above last year, mainly due to the increase in throughput and a reduction in operating costs. Expansion of the Balboa terminal was completed in February this year.

EBIT from Ports and Related Services:

HK$**8,867** million

Freeport Container Terminal on Grand Bahama Island, which was seriously affected by hurricanes in September, reported throughput 1% below last year and overall EBIT declined 56%. The Phase IV expansion, which increased annual handling capacity by 58%, was completed earlier this year with the installation of container handling equipment.

- ***The Port of Felixstowe, the UK's premier container port, is able to accommodate the largest vessels in operation today at its 2,354-metre-long Trinity Terminal.***

10,492

Hotel rooms managed or owned by the Group

56,752,000

Floor area managed by Hutchison Properties in square feet

48,700,000

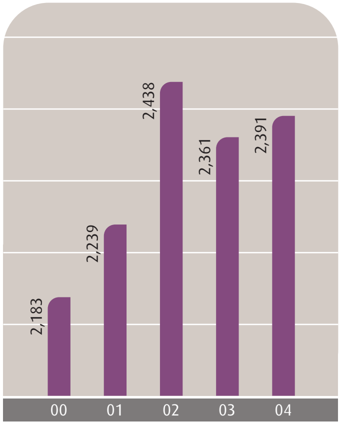
Properties under development in square feet

1. Japan
2. Hong Kong
3. Mainland China
4. Singapore
5. United Kingdom
6. The Bahamas

The Group's property activities comprise an investment portfolio of approximately 16.4 million square feet (2003 - 15.7 million square feet) of office, commercial, industrial and residential premises that provide steady recurrent rental income. This division also includes interests in joint ventures for the development of high quality residential, commercial, office, hotel and recreational projects mainly in Hong Kong and the Mainland, and selectively overseas. In addition, the Group has ownership interests in a portfolio of 11 premium quality hotels.

Gross Rental Income

HK$ millions



Turnover of the property and hotels division for 2004 totalled HK$9,117 million, a decrease of 19%, mainly due to lower sales from completed development projects. EBIT of HK$3,125 million reflects the improvement of the hotel businesses which offsets the effect from lower development profits. This division contributed 6% to both the Group's turnover and EBIT from its established businesses. With the retrospective adoption of Hong Kong Accounting Standard ("HKAS") 40 (see Note 1(a) to the accounts), changes in the market value of investment properties are now reflected in the results of the Group. In addition to the EBIT above, the Group recorded a gain in valuation of investment properties of HK$5,302 million.

Rental Properties

Hong Kong

The Group's portfolio of rental properties in Hong Kong, comprising approximately 12.7 million square feet (2003 - 12.6 million square feet) of office (25%), commercial (24%), industrial (50%) and residential (1%)

Major rental properties in Hong Kong

Name	Type Property	Total Gross Floor Area for Rent	Group's Interest	% Leased
		('000 sq ft)		
Cheung Kong Center	Office	1,263	100%	97%
Hutchison House	Office	504	100%	95%
Harbourfront Office Towers I and II	Office	863	100%	96%
Aon China Building	Office	259	100%	100%
Whampoa Garden	Commercial	1,714	100%	96%
Aberdeen Centre	Commercial	345	100%	100%
Hongkong International Distribution Centre	Industrial	4,705	88%	99%

Major rental properties in the Mainland and Overseas

Name	Location	Property Type	Total Gross Floor Area for Rent	Group's Interest	% Leased
			('000 sq ft)		
The Mainland					
Oriental Plaza	Beijing	Office, serviced apartments & commercial	5,490	18%	82%
Westgate Mall & Tower	Shanghai	Office & commercial	1,099	30%	100%
Metropolitan Plaza	Chongqing	Office & commercial	1,512	50%	97%
Seasons Villas	Shanghai	Residential	1,256	50%	94%
Japan					
Pacific Century Place Marunouchi	Tokyo	Office & hotel	786	38%	100%

properties, continues to provide a strong recurrent earnings base. Gross rental income of HK$1,795 million, including the Group's share of associated companies' rental income, was 3% below last year, mainly due to lower rentals on lease renewals last year as a result of deflationary pressures. All of the Group's premises remain substantially fully let. Gross rental income is expected to remain stable and in the near term, as leases are renewed, should begin to increase.

The Mainland and Overseas

The Group's various joint ventures in the Mainland and overseas hold a portfolio of investment properties totalling 11.4 million square feet, of which the Group's share is 3.7 million square feet (2003 - 3.1 million square feet). The Group's share of gross rental income of HK$596 million was 15% above last year, mainly due to higher rentals from the Mainland properties.

EBIT from Property and Hotels:
HK$3,125 million

The splendid view of the Pearl River and the meticulously designed artificial waterway is one of the major attractions of the Guangzhou Cape Coral.

Property Sales and Properties under Development

During the year, profits were recorded primarily from the completion and sale of two residential developments and a hotel in Hong Kong, and four residential developments in the Mainland. As a result of a recovery in the residential property market in Hong Kong in 2004, a provision of HK$270 million, which was made against a property development in Hong Kong in previous years, was released in the first half of 2004.

In 2004 and in the first few months of this year, the Group increased its landbank in the Mainland by entering into joint ventures to develop mainly residential properties with a total gross floor area of approximately 72.2 million square feet of which the Group's share is 34.7 million square feet. Including these recent additions, the Group's current joint venture share of landbank being developed totals approximately 48.7 million square feet of which 2% is in Hong Kong, 97% is in the Mainland and 1% is overseas. These projects are scheduled for completion in phases from 2005 to 2020 and are expected to provide satisfactory returns and steady development profits to the Group.

Hong Kong

In 2004, the Group sold the remaining 219 units of serviced suites at Rambler Crest in Tsing Yi. One of the three hotel towers at Rambler Crest, which was pre-sold last year, was completed during the year and the profit was recorded. Albany Cove, Phase II of the Caribbean Coast residential development in Tung Chung, was completed and all units were sold during the year. Carmel Cove, Phase III of this development, is expected to be completed this year and pre-sale activity is progressing well.

The Mainland

In the Mainland, Dynasty Garden in Baoan, Shenzhen was completed during the year and 593 units were sold. Phase I of Cape Coral, a residential development in Guangzhou Panyu Dashi, was completed during the year and 122 units were sold. Phase IIIA of residential development Zhuhai Horizon Cove was completed during the year and 742 of the units were sold. This project is scheduled for completion in phases in 2006. The other projects under development are progressing well.

Major properties in Hong Kong under development

Name	Location	Property Type	Total Gross Floor Area ('000 sq ft)	Group's Interest	Completion Date
Caribbean Coast - Phase III to IV	Tung Chung	Residential	2,143	40% to 50%	2005-06

Located on a hill slope in the north of Central Baoan and modelled on European renaissance forms, Shenzhen Dynasty Garden offers spectacular panoramic views.

Major properties in the Mainland under development

Name	Location	Property Type	Total Gross Floor Area	Group's Interest	Completion Date
			('000 sq ft)		
Regency Park	Shanghai	Residential & commercial	1,516	50%	2005 - 06
Horizon Cove - Phase III & IV	Zhuhai	Residential	1,905	50%	2005 - 06
Cape Coral, Panyu Dashi	Guangzhou	Residential & commercial	3,831	50%	2005 - 07
International Toys and Gifts Center	Guangzhou	Commercial	2,914	30%	2005 - 07
Dongguan Laguna Verona	Dongguan	Residential & commercial	13,700	47%	2005 - 13
Shanghai Gubei	Shanghai	Residential & commercial	1,667	50%	2006
The Greenwich	Beijing	Residential	3,947	46%	2006 - 07
Huangsha underground railway development	Guangzhou	Residential & commercial	3,637	50%	2006 - 07
Shenzhen Guanlan	Shenzhen	Residential	1,697	19.5%	2007
Shanghai Minhan District Maqiao Town	Shanghai	Residential	490	42.5%	2007
Chongqing Nanan Project	Chongqing	Residential & commercial	4,113	47.5%	2007 - 08
A commercial complex development at Futian District	Shenzhen	Residential, office & commercial	1,597	50%	2008
Shenzhen Feng Huang Shan development	Shenzhen	Residential & commercial	3,140	50%	2009
Xian Hi-Tech Industrial Development Zone	Xian	Residential, office & commercial	11,440	50%	2009
Chengdu residential development	Chengdu	Residential & commercial	26,310	50%	2020

Albion Riverside, designed by the renowned architect Sir Norman Foster, is located on the southwest bank of the River Thames in Battersea and provides 196 luxury apartments, penthouses and offices.

Overseas

In Singapore, the residential development, Cairnhill Crest, was completed in 2004 and sales activities were started during the year. Other development projects in the UK are progressing well.

Hotels

In 2004, the Group had ownership interests in nine hotels in Hong Kong, the Mainland and the Bahamas. In February this year, the Group, through a joint venture with the Cheung Kong Group, purchased a 50% interest in The Kowloon Hotel in Hong Kong,

Major overseas properties under development

Name	Location	Property Type	Total Gross Floor Area	Group's Interest	Completion Date
			('000 sq ft)		
UK					
Chelsea Harbour Phase II	London	Residential	118*	23%	2011
Lots Road Power Station	London	Residential & commercial	704*	23%	2011

* Total net floor area for UK projects

which has 736 guest rooms and approximately 57,500 square feet of shopping arcade. Also in February, Rambler Garden Hotel, an 800-room hotel in Tsing Yi, in which the Group has a 70% interest, was opened. Together with these two new hotels, the Group currently manages six of these hotels through its 50% owned hotel management joint venture.

During the year, travel activity improved significantly, reflecting the recovery from the adverse effects of SARS last year as well as growth in the tourist industry. Our hotels reported a remarkable improvement in operating results. In Hong Kong and the Mainland, the hotels reported EBIT growth of 82% and 569% respectively. The Westin and Sheraton at Our Lucaya Beach & Golf Resort on Grand Bahama Island reported an improved result with LBIT 45% lower than last year, despite a temporary closure of the hotel as a result of the damage caused by hurricanes.

- ***The harbour view splendour of Harbour Plaza Hong Kong's venerable Presidential Suite can be experienced in each of the hotel suite's two-storey high rooms.***

- ***Located in the heart of Tsim Sha Tsui, Hong Kong's main shopping area, Sheraton Hong Kong Hotel & Towers provides 782 guest rooms and suites commanding breathtaking views of Victoria Harbour.***


ROSSMANN
DROGERIE PARFUMERIE
NÁKUP

716,000,000
Distilled water production capacity in litres

91,000,000
Total units of toys manufactured

14,000,000
Total retail space in square feet

1. The Philippines
2. South Korea
3. Taiwan
4. Hong Kong
5. Macau
6. Mainland China
7. Singapore
8. Malaysia
9. Thailand
10. Turkey
11. Latvia
12. Lithuania
13. Poland
14. Hungary
15. Czech Republic
16. Germany
17. Switzerland
18. Luxembourg
19. The Netherlands
20. Belgium
21. United Kingdom

The retail and manufacturing division consists of the A S Watson group, Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. The A S Watson group is one of the world's largest and most diversified retailers, operating seven retail chains in Europe and three major retail chains in Asia, currently with more than 4,800 stores worldwide that provide high quality personal care, health and beauty products; food, wine and general merchandise; and consumer electronic and electrical appliances. A S Watson also manufactures and distributes various water and other beverage products in Hong Kong and the Mainland. Hutchison Whampoa (China) invests in various ventures in the Mainland. Hutchison Harbour Ring is a leading manufacturer of toys and also engages in the design and manufacture of high quality consumer electronic products and accessories. TOM Group is a leading Chinese-language media group in the Greater China region.

Turnover for the retail and manufacturing division totalled HK$74,445 million, an increase of 16%, compared to last year. EBIT of HK$3,654 million was 57% above last year, mainly due to strong organic growth of its successful retail brands and store concepts, and also from the acquisition of the Drogas branded chain in Latvia and Lithuania and the Dirk Rossmann branded chain in Germany during the year. This division contributed 45% and 6% of the Group's turnover and EBIT from its established businesses respectively.

A S Watson

The health and beauty businesses in Europe reported combined sales 24% above and EBIT 8% above last year, mainly due to the better sales performance of Kruidvat and the contributions from Drogas and Dirk Rossmann which were acquired in 2004. This division continued to expand its presence in Europe by adding 216 stores and acquiring 869 stores during the year. To further enhance its presence in Europe, in June, the Group acquired Drogas, a health and beauty retail chain in the Baltic States with a total of 83 retail outlets. In August, the Group exercised an option obtained in the Kruidvat acquisition in 2002, to acquire a 40% stake in Dirk Rossmann, a health and beauty retail chain with 786 outlets in Germany. Currently, there are more than

- *Kruidvat continues to be one of the leaders in the health and beauty market in the Netherlands.*

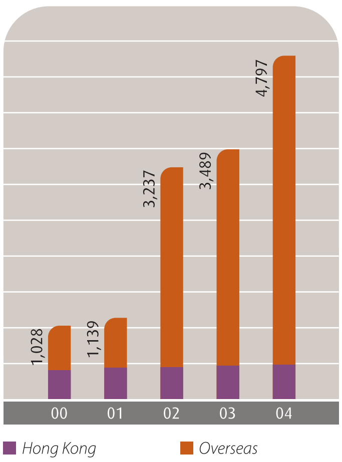
- *Superdrug is the second largest health and beauty retailer in the UK. It is known as a value retailer through a mix of unbeatable offers and deals on a wide range of everyday essentials and branded products.*

PARKnSHOP's Megastore in Huizhou, China, provides an unrivalled range of products at the best value for money in a "one-stop" shopping environment.

3,400 retail outlets in the UK, the Netherlands, Belgium, Luxembourg, the Czech Republic, Poland, Hungary, Germany, Latvia and Lithuania. In January this year, the Group announced a cash offer of €534 million for the French listed health and beauty retailer, Marionnaud Parfumeries, one of the largest perfumery and cosmetic retailers in France with 1,226 stores in 15 countries, mainly in Europe.

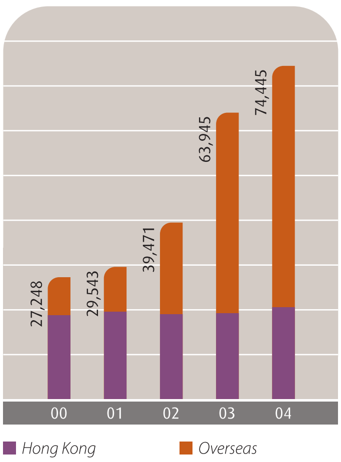
In Asia, Watsons personal care, health and beauty business continues to be the leading retail chain with strong brand name recognition in Hong Kong, Taiwan, the Mainland and four other countries in Southeast Asia. Watsons continued to expand in Asia by adding 210 outlets during the year and currently operates more than 1,000 stores. These operations reported combined sales 22% above and EBIT 27% above last year. In Taiwan, Watsons reported sales growth and an

Number of Retail Stores



Retail and Manufacturing Turnover

HK$ millions



The first Watsons Your Personal Store opened near Hong-ik University signifies the entrance of Asia's No1 health and beauty retail brand into the Korean market.

Drogas, a popular household brand in Latvia and Lithuania, becomes an A S Watson family member in June 2004. The acquisition marks Hutchison's first entry into the Baltic States.

increased EBIT and added 67 stores during the year. In the Mainland, Watsons expanded its profitable operations by adding 45 stores during the year to reach a milestone of 100 stores, while Watsons Hong Kong's profitability was affected by keen competition. In Southeast Asia, the Watsons operations in Singapore, Malaysia, Thailand and the Philippines reported increased sales and EBIT, mainly due to expansion with 80 new store openings and strong organic growth. In November, the Group formed a joint venture with GS-Retail in South Korea named "GS-Watsons" to develop a new health and beauty retail chain. The first store was opened in March this year under the "Watsons" brand name and the chain plans to open over 10 stores per year thereafter. Also in March this year, the Group announced an expansion into Turkey with its latest acquisition of "Cosmo Shop", a health and beauty retail chain with seven outlets in the country.

The PARKnSHOP supermarket chain in Hong Kong continued to be affected by a slow economy and increased competition. Although it maintained a leading market share with 223 stores, its sales and EBIT were adversely affected. PARKnSHOP's operations in the Mainland continued to expand by opening nine stores and 30 stores are now in operation. This expanding business performed well, reporting increased sales and EBIT.

Fortress, the consumer electronic and electrical appliance retail chain in Hong Kong, reported a very significant improvement in its performance after the "re-launching" of its business in the second half of last year. As a result, sales and EBIT increased 17% and 24% respectively over last year.

Nuance-Watson, a 50% joint venture with Nuance International Holdings, holds retail concessions at the Hong Kong International Airport and at the Singapore Changi Airport. Sales and EBIT increased 46% and 110% respectively compared to last year when passenger traffic was adversely affected by SARS.

The manufacturing division's operations comprise well-known brands of water, soft drinks and fruit juices that are manufactured and distributed in Hong Kong and the Mainland. Sales and EBIT of this division increased to healthier levels after a renewed and focused effort was made to increase sales and reduce costs in the face of strong competition.

EBIT from Retail and Manufacturing:

HK$3,654 million

- *TASTE, a new generation lifestyle food store in Hong Kong, delivers quality diversified products from around the world in a cozy atmosphere and modern ambience.*

Hutchison Whampoa (China)

Hutchison Whampoa (China) currently has investments in a number of aviation services and healthcare projects. During the year, the Group disposed of its 20% interest in the Procter & Gamble - Hutchison joint venture to Procter & Gamble for a cash consideration of US$2 billion, which gave rise to a one-time profit on disposal of HK$13,759 million.

Hutchison Harbour Ring

Hutchison Harbour Ring ("HHR"), a 61.97% owned subsidiary listed on the Stock Exchange of Hong Kong, is a leading toy manufacturer and a supplier and manufacturer of consumer electronic products as well as a licencing and sourcing service provider. The company also holds investment properties in the Mainland. HHR announced turnover, including its share of associated companies' turnover, of HK$2,611 million and profit attributable to shareholders of HK$163 million, an increase of 18% and 14% respectively, mainly due to increased sales and profits of consumer electronics products such as mobile handset accessories, which offset the adverse effects of the toys manufacturing business due to high plastics prices and labour costs.

TOM Group

TOM Group ("TOM"), a 24.5% associate, is listed on the Stock Exchange of Hong Kong and its businesses include Internet, outdoor media, publishing, sports, television and entertainment. TOM announced turnover of HK$2,595 million and profit attributable to shareholders of HK$860 million, increases of 24% and 6,725% respectively.

- *HHR's products include Bluetooth headset/accessories for 3G mobile phones and consumer electronics. The company has well established production facilities, strict inspection and stringent quality control.*

165,387,000
Electricity distribution network in Australia in metres

325,000
Barrels of oil equivalent per day by Husky

1,000,000
Electricity to be produced by HKE's first commercial wind turbine in kWh

1. Australia
2. Indonesia
3. The Philippines
4. Hong Kong
5. Mainland China
6. Thailand
7. Libya
8. Luxembourg*
9. United Kingdom
10. Canada

* Finance and investments

The energy, infrastructure, finance and investments division includes the Group's 84.6% interest in Cheung Kong Infrastructure ("CKI"), a leading investor in the infrastructure sectors in Hong Kong, the Mainland and Australia, and a 34.64% interest in Husky Energy, one of Canada's largest integrated energy and energy related companies. Also reported in this division is finance and investment income, derived from the Group's treasury operations which manage a substantial pool of cash and other liquid investments. Turnover for the energy, infrastructure, finance and investments division for 2004 totalled HK$34,725 million, a 13% increase from last year and EBIT totalled HK$16,711 million, an 11% increase. The aggregate net increase is mainly due to the effect of increased returns on the Group's holdings of cash and other liquid investments.

Cheung Kong Infrastructure

The Group has an 84.6% interest in CKI, which is listed on the Stock Exchange of Hong Kong. CKI announced turnover of HK$4,460 million, an increase of 4%, and profit attributable to shareholders of HK$3,556 million, an increase of 6% compared to last year. CKI contributed 8% and 9% of the Group's turnover and EBIT from its established businesses respectively.

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in energy, transportation and water infrastructure as well as

Upon completion, the Cross City Tunnel will allow motorists to avoid up to 18 sets of traffic lights in downtown Sydney.

infrastructure related business. Operating in Hong Kong, the Mainland, Australia, the UK, Canada and the Philippines, it is also a leading player in the global infrastructure arena. CKI is continuing to develop its environmental business in areas related to recycling waste materials, reduction of natural resources usage and reduction of emissions to the environment.

CKI holds a 38.9% interest in Hongkong Electric Holdings ("HEH"), which is the largest contributor to CKI's results. HEH, which is also listed on the Stock Exchange of Hong Kong being the sole provider of electricity to Hong Kong and Lamma islands, announced a profit attributable to shareholders of HK$6,280 million, an increase of 4% compared to last year. In February, HEH finalised shareholder arrangements with five other shareholders for a 1,400-megawatt gas-fired power plant project in Thailand and became the largest shareholder in the joint venture company. CKI's other infrastructure businesses recorded increased profits reflecting improved contributions from the Mainland and Australian energy projects, operation synergy from the Australian electricity distribution businesses and the stronger Australian dollar. CKI's cement, concrete, asphalt and aggregates businesses in Hong Kong and the Mainland experienced another difficult year due to the depressed market conditions and a provision was made in 2004 against certain assets.

CKI has continued to expand its businesses during the year. In April, CKI acquired a 100% interest in Cambridge Water in the UK, a company appointed under the Water Act 1989 of the UK to develop and maintain the water supply that serves a population of approximately 298,000 in an area of approximately 1,173 square kilometres in South Cambridgeshire. In July, CKI acquired a 40% interest in Lane Cove Tunnel Company which was awarded a 30-year concession, excluding the construction period, to build and operate the Lane Cove Tunnel in Sydney, Australia. In August, CKI entered into an option arrangement to acquire, on completion, a 69.8% interest in the North of England Gas Distribution Network, which operates a major natural gas distribution network in the UK. The

EBIT from Energy, Infrastructure, Finance and Investments:

HK$16,711 million

A barge lays the new pipeline for Hongkong Electric to carry environmentally friendly natural gas from Shenzhen to East Lamma Island for future LNG-powered turbines.

Husky Energy has a 40% interest in the Wenchang oil field in the South China Sea.

total consideration of the project was £1,393 million (approximately HK$20,000 million). Following the announcement of the transaction, CKI divested a 19.9% interest to HEH and further disposed of 9.9% to third parties, reducing its effective direct holding to 40%. The transaction is subject to regulatory approval and is expected to be completed in mid-2005. These investments are expected to continue the earnings growth trend of CKI.

Husky Energy

The Group has a 34.64% interest in Husky Energy ("Husky"), a listed Canadian based integrated energy and energy related company. Husky announced turnover of C$8,440 million, 10% above last year and net earnings of C$1,006 million, 25% below last year, mainly due to the negative impact of Husky's crude oil hedging programme, which expired at the end of 2004, the relative performance of the Canadian dollar to the US dollar this year and last year, and a non-recurring tax rate reduction in 2003. In November, Husky declared a special cash dividend of C$0.54 per share from which the Group received C$79 million in January 2005. Husky contributed 11% and 5% to the Group's turnover and EBIT from its established businesses respectively.

In 2004, Husky's gross production volume averaged approximately 325,000 barrels of oil equivalent ("boe") per day compared to 312,500 boe per day during 2003, a 4% increase.

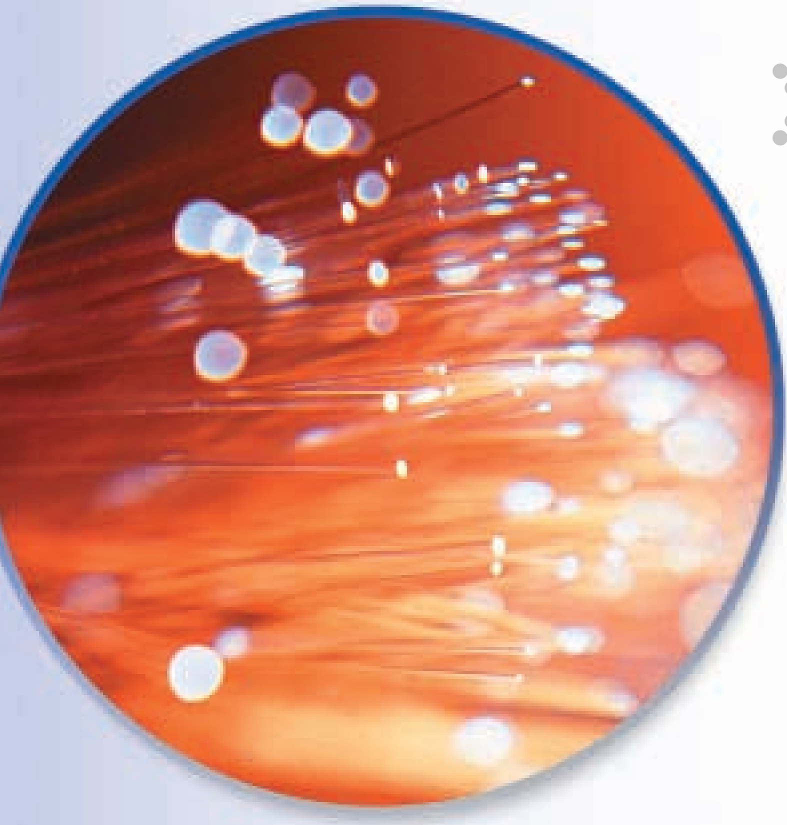
In July, Husky announced the commencement of its Tucker oil sands project, a 30,000-barrel per day project near Cold Lake, Alberta. Husky also filed, in August, an application with the Alberta government for approval of its 200,000-barrel per day Sunrise oil sands project in the Athabasca region.

At the end of 2004, Husky's total proved oil and gas reserves amounted to 791 million boe after a heavy oil price revision and 911 million boe before the price revision. In western Canada, Husky replaced 106% of production in 2004, mainly through heavy oil additions and the acquisition of Marathon Canada. Reserves were added at Lloydminster White Rose and in the foothills and Deep Basin of Alberta and northeast British Columbia.

The White Rose development is progressing on schedule and first oil production is expected by late 2005 or early 2006. Internationally, Husky plans to drill two exploration wells in the South China Sea in 2005 and to pursue its development in Indonesia, where it increased its interest to 100% in a production sharing contract in the Madura Strait, Indonesia.

Husky brand fuel products are delivered to over 500 retail outlets and bulk distributors from British Columbia to Ontario.

Reducing emissions is an ongoing project of Hongkong Electric. Here the desulphurisation plant "scrubs" sulphur, which reduces emissions.



12,553,000
HTIL total mobile customers

8,080,000
Worldwide 3G mobile customers

800,000
Core fibre optic cable in km

1 Australia
2 Hong Kong
3 Macau
4 Vietnam
5 Thailand
6 Sri Lanka
7 India
8 Israel
9 Sweden
10 Italy
11 Austria
12 Denmark
13 Norway
14 Ghana
15 United Kingdom
16 Rep. of Ireland
17 Paraguay
18 Argentina

3 Group · HTIL · Others

The Group's telecommunications division consists of a 70% interest in Hutchison Telecommunications International ("HTIL"), which was listed on the Stock Exchanges of Hong Kong and New York in October, and the 3 Group businesses in Europe and Australia. HTIL holds the Group's interests in the 2G and 3G mobile operations in Hong Kong and Israel, Hutchison Global Communications Holdings ("HGCH"), the 2G mobile operations in India, Macau, Sri Lanka, Ghana and Paraguay and the CDMA2000-1X operations in Thailand. 3 Group is one of the world's leading operators of third generation mobile telecommunications technology with controlling interests in 3 branded businesses in seven countries in Europe and Australia. 3 Group commenced operations in the UK, Italy and Australia in 2003 and the other countries, except Norway, in 2004.

Hutchison Telecommunications International

HTIL announced turnover of HK$14,960 million, a 48% increase over last year, and profit attributable to shareholders of HK$72 million, including a one-time gain of HK$1,300 million on disposal of a 26% interest in its listed subsidiary Hutchison Global Communications, compared to last year's loss of HK$214 million. The Group's share of HTIL's turnover and EBIT amounted to 16% of the Group's turnover and less than 1% of EBIT from established businesses. EBIT decreased from HK$1,025 million to HK$23 million, mainly due to the start-up losses of 3G Hong Kong in its first year of operations and a one-time charge by the Thailand operation.

Hong Kong and Macau

In Hong Kong, the Group's 2G operation maintained its leading market position with a market share of approximately 23% and a customer base exceeding 1.9 million. The 3G business in Hong Kong, which commenced operations in January 2004, has progressed well in its first year of operations and has a current customer base of 282,000, well ahead of its competitors.

- *Hutchison Global Communications introduces the innovative broadband-based video phone Vfone, which allows users to communicate "face-to-face".*

HGCH, which is listed on the Stock Exchange of Hong Kong, is an integrated telecommunications and information technology company, created after the merger of Hutchison Global Communications' fixed line network, Vanda System's information technology solutions operations and PowerCom Network Hong Kong in March 2004. HTIL holds a 52.5% interest in HGCH. HGCH announced turnover of HK$2,721 million, an increase of 70%, and profit attributable to shareholders of HK$97 million, an increase of 83%.

India

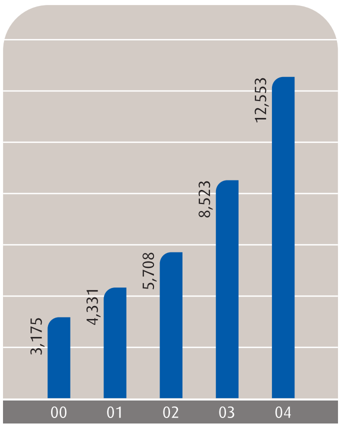
In India, the 2G operation reported another year of impressive growth and results reflecting the growth of the overall market and the businesses leading position within its markets. The customer base has increased an impressive 75% to 7.2 million. In February this year, HTIL's various mobile interests in India were consolidated under one company, Hutchison Max Telecom. This has created one of the largest consolidated mobile operations in India which is expected to result in operating synergies and also places Hutchison Max Telecom in a better position to access the capital markets in India.

Israel

In Israel, HTIL holds a 43% interest in listed associate Partner Communications ("Partner"), which announced a profit before taxation of US$176 million, a 43% increase compared to 2003, and a profit attributable to shareholders of US$109 million, a 59% decrease, mainly due to a one-time recognition in 2003 of the accumulated tax benefits, expected from the utilisation of accumulated tax loss carried forward from prior years. Excluding this one-time credit in 2003, profit attributable to shareholders increased 35%. At the end of 2004, Partner had over 2.3 million 2G customers, or a market share of approximately 32%. Partner commenced offering 3G services in the central area of Israel in December 2004. The roll out of the 3G network is continuing and expected to reach national coverage at the end of

HTIL Customer Base

2G and 3G customers (thousands)



- ***Hutchison CAT kicks off its network caravan with its innovative combination of a Vespa, a Mini-Cooper and some vans together with a mobile karaoke booth to promote the completion of CDMA network coverage and multimedia service availability to customers along its route and in 25 major central cities.***

HTIL turnover :

HK$14,960 million

Partner Communications, operating the Orange network in Israel, advertises on the new shuttle train entering the Ben Gurion International Airport. The advertisement features smiling faces from around the globe, promoting the international dimension of Partner's offering.

2005. In February this year, three of the founding Israeli shareholders of Partner irrevocably offered to sell all of their Partner shares to Partner and another of the Israeli founding shareholders has an option to participate in the sale. The offer has been accepted by Partner, but is subject to Partner shareholder approval. If such approval is obtained and all other conditions precedent are satisfied, upon completion of the buy back, HTIL's interest in Partner will increase from 43% to over 50% and Partner will become a subsidiary of HTIL.

Thailand

In Thailand, the CDMA2000-1X operation commenced services in February 2003. The Group's share of this operation's start-up loss before interest expense and finance costs, taxation and minority interests ("LBIT") was higher than last year, mainly due to a HK$557 million charge related to a programme to churn low value and poor credit risk customers that resulted in a write-off of bad debts and related customer acquisition costs, and also due to a provision for inventories. The operation had approximately 615,000 customers at the end of 2004.

In January this year, HTIL announced cost saving initiatives that have recently been completed or are to be implemented this year, specifically in Hong Kong, Thailand and Israel. A large part of these initiatives involve the outsourcing of certain operational functions. These measures are intended to enhance performance and organisational efficiency and are expected to translate into more cost-effective operations while maintaining or exceeding current service levels to customers.

Vietnam

In February this year, HTIL's wholly owned indirect subsidiary Hutchison Telecommunications (Vietnam) obtained an approval from the Ministry of Planning and Investment of Vietnam, which permits it to engage in business co-operation with Hanoi Telecommunication Joint Stock Company to build, develop and operate a mobile telecommunications network in Vietnam. This business plans to develop a CDMA2000 network to provide mobile telecommunications services in Vietnam.

Indonesia

In March this year, HTIL entered into an agreement, subject to Government approval, to acquire a 60% interest in PT Cyber Access Communications ("Cyber Access") in Indonesia for US$120 million. Cyber Access holds a nationwide combined 2G and 3G mobile telecommunications licence and plans to build and operate a nationwide network in this under-developed telephony market.

HTIL has businesses in many countries around the world including Ghana in West Africa.

3 Group

Turnover for the **3** Group totalled HK$15,742 million for the full year of 2004, an increase of HK$12,583 million or growth of almost five times compared to the seven months of operations in 2003, reflecting the growth of the customer base from which recurring revenues are generated. Throughout the year, the **3** Group businesses refined their tariffs, handset packages and service offering to drive customer growth and were successful in converting high value second generation users to third generation users. The total customer base grew from 670,000 at the end of 2003 to total over eight million currently. In the first full year of operations, the businesses have begun to establish meaningful market share and growth momentum to increase market share in 2005. **3** UK already commands an estimated market share approaching 5% of the mobile market and Italy greater than 4.5%. Customer growth in the other countries has been satisfactory. The continuing impressive growth rates will provide strong growth in the recurring revenues of the **3** Group over the next few years.

3 Group's monthly average revenue per user ("ARPU") declined during the year to €52.43, primarily due to a change in the mix of customers as the businesses broadened their customer base into the prepaid market segment. At the end of 2004, prepaid customers accounted for 64% of the customer base and postpaid customers accounted for the remaining 36%. The ARPU of postpaid customers eased in most of the operations, although some increased reflecting the growing usage of 3G non-voice services. The proportion of non-voice revenues, which includes videocalling, content downloads and messaging, averaged 20% for 2004 compared to 10% in 2003. The mix of voice and non-voice usage has improved encouragingly during the year towards the higher margin non-voice usage, providing confirmation that demand exists for mobile services beyond commodity voice services. **3** Group's ARPUs are currently higher than the market averages in the respective countries of operation.

Demand for content services is expected to continue to grow. **3** customers are increasingly becoming familiar with the browser interface and adept at utilising 3G non-voice services. Usage of innovative new offerings is growing rapidly, such as real-time viewing of the "Big Brother" reality television show and music concerts, and downloading of first release music video clips. In the biggest ever reader-led awards in the UK mobile industry, **3** UK's "Football at 5.15" was voted the UK's best mobile service in the "What Mobile Awards" of 2004/05. **3** is setting a benchmark for innovative content services and 3G applications, and is becoming the service of choice for users that wish to upgrade from their basic 2G services.

- ***3 Hong Kong pioneers the world's first 3G live video broadcast service for horse racing.***

The new **3** Group networks are of the highest quality and with the benefit of over a year of full commercial operations, the networks are proving themselves to be scalable and resilient. The networks are achieving market recognition for their performance including **3** UK being voted "Network of the Year" by "What Cellphone", a prominent industry publication, on the basis of best hardware, services and software over the last 12 months.

Loss before interest expense and finance costs, taxation, depreciation and amortisation before investment in prepaid customer acquisition costs ("LBITDA before expensed CAC") improved to HK$7,291 million for the full year of 2004 from HK$11,571 million for the seven months of operation in 2003. LBITDA before expensed CAC has continued to improve, reducing from HK$8,557 million in the second half of 2003, to HK$7,527 million and HK$4,746 million in the first and second halves of 2004 (excluding supplier contributions) respectively, reflecting the increase in net revenue contributions from the growing customer base, economies of scale against fixed costs and initiatives to reduce costs. The **3** Group continues to investigate ways to streamline the cost structures of these new businesses. Improved margins are being achieved through the cost effective expansion of UMTS radio networks, therefore avoiding unnecessary domestic 2G roaming costs. In addition, the businesses have achieved cost savings as they change their focus from network building to commercial operations. Outsourcing and costs sharing initiatives have been pursued which have resulted in material cost savings, and further savings are budgeted for 2005 as outsourcing plans are fully implemented.

3 Group turnover :

HK$15,742 million

The **3** Group offers a range of the most advanced mobile telecommunications handsets in the market. The **3** Group is in the process of introducing its 23rd handset model to the market and is expanding its range of handset suppliers beyond the preferred supplier group that has, and will continue, to provide the bulk of the **3** Group's handsets on a high volume basis. The adoption of UMTS by many of the 2G incumbent operators has expanded the market for 3G handset supply and the **3** Group is benefiting from this expansion through an increasing range of handsets at prices that are trending lower, and also the availability of spot-market 3G handsets. In this environment, despite new competition as more incumbents enter the market, the per customer acquisition cost is expected to continue to decline. Unit CAC per customer declined from €299 for the first seven months as announced in our interim results, to €271 in the second half of the year.

In 2004, the Group adopted the current interpretation of HKAS 38 pursuant to which prepaid CAC are expensed as incurred and postpaid CAC are capitalised and amortised over the duration of the customer contract term, generally 12 months. LBITDA after expensed CAC totalled HK$15,714 million for the full year 2004 compared to HK$12,488 million for the seven months of operation in 2003, both on the basis of the new accounting policy.

- *3 UK's customers can enjoy a range of exciting services from video calling to watching full-length music videos, playing real-time multiplayer games or watching the latest football highlights from the Barclays Premiership.*

Key Business Indicators

Current key business indicators for the **3** Group and HTIL's 3G businesses are:

	3G Customers at 30 Mar 2005 ('000)	12-month Average Revenue per User ("ARPU") [1] in 2004		Mix of Postpaid / Prepaid Customers (ratio)	Estimated Network Service Coverage [2] at 28 Feb 2005	
		Local Currency / HK$	Non-voice ARPU%		3G	Voice
Australia	543	A$88.23 / 506.78	13%	85/15	68% [3]	92%
Austria	240	€62.18 / 610.85	12%	85/15	47%	99%
Italy	3,560	€47.17 / 463.91	23%	10/90	74%	99%
Sweden & Demark	414	SEK397.06 / 429.82	14%	84/16	84%	99%
United Kingdom	3,021	£40.30 / 578.04	20%	45/55	82%	99%
3 Group Total/ Average	7,778	€52.43 / 515.11	20%	36/64		
Hong Kong	282	HK$240.00 / 240.00	23%	100/0	99%	99%
Israel [4]	20					
Total	8,080					

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average active customers, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding 3 months.

Note 2: % of population

Note 3: % of licence population

Note 4: 3G operations in Israel commenced in December 2004 and the key business indicators are not meaningful

Total depreciation, amortisation of licence costs and amortisation of capitalised postpaid CAC increased from HK$7,197 million for the seven months of operation in 2003, to HK$21,782 for the full year of 2004. The resultant LBIT for the **3** Group totalled HK$37,496 million, compared to HK$19,685 million for the seven-month period last year, before the release of provision of HK$7,810 million. This result includes an unfavourable foreign exchange translation impact of approximately HK$2,850 million due to the strengthening of foreign currencies against the HK dollar.

UK

In the UK, the customer base grew by over 13 times during the year and currently totals three million while turnover grew by over nine times. The prepaid customer base grew rapidly during the year and prepaid customers now represent approximately 55% of the total customer base. Although the change in mix of the customer base towards more prepaid customers contributed to a dilution of the average ARPU to £40.30, it remains well above the UK market average ARPU. The prepaid ARPU, generated from a small customer base at the beginning of the year, grew strongly during 2004 and began to stabilise towards the end of the year above the market average. The postpaid ARPU remained steady during the year. The proportion of non-voice ARPU increased during the year to an average of 20% for the 12-month period.

ARPU continues to be enhanced through innovative content offerings. **3** UK and EMI announced the exclusive release to **3** of Robbie Williams' music video 'Misunderstood' before it premiered on TV or the web. This release, which was a world's first, allowed fans to either stream or download the video straight to their mobile handsets for a fixed fee. **3** UK also launched "My Trains", a content service that allows customers to access National Rail Enquiries information on train timetables and real-time arrival and departure information from a **3** handset.

In December, **3** UK announced that it was the first network in the UK to exceed 80% population coverage for video mobile services, thus fulfilling a major regulatory requirement three years before the licence requirement. **3** UK reached a major milestone, achieving earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") breakeven before expensed CAC on a month-by-month basis in December 2004 as well as for the first quarter this year. With the continuing rapid growth of its customer base and revenues, **3** UK is on target to be EBITDA positive after expensed CAC in the latter part of this year.

- ***Thanks to 3, third generation mobile telecommunications is a reality for Italian customers. With a wide range of handsets, great tariffs and exciting services (sport, information, TV, music, games , videocommunity and many more) 3 is the leading provider of UMTS services in Italy.***

Italy

In Italy, the customer base increased by more than nine times and currently totals 3.5 million while turnover more than tripled. **3** Italy has been the greatest beneficiary of mobile number portability between operators since its introduction in late 2003. The prepaid customer base grew more rapidly than postpaid customers, resulting in prepaid customers representing 90% of the customer base compared to 65% at the beginning of the year, in line with the industry average. As a result, average 12-month ARPU has been diluted to €47.17, but it continues to be at a substantial premium to the Italy market average. Prepaid customer ARPU more than doubled during the year.

The proportion of non-voice revenues being generated has increased substantially throughout the year, to an average of 23% for the 12-month period, reflecting the successful offering of new services. **3** Italy is developing 39 new UMTS applications for businesses, including Location Services, Video-Surveillance, Telemedicine, Mobile Office, Workforce Automation and Workflow Management. **3** Italy has continued to press its first mover advantage with the introduction of other innovative services such as providing real-time video streaming coverage of the Christmas Papal Mass and Christmas Concert.

Initiatives to reduce the operating cost structure of the business have continued. Recently, **3** Italy signed an outsourcing agreement with Ericsson, whereby Ericsson will be responsible for the daily management of the network and information systems, including the operating platforms that supply services to customers. Network ownership, expansion and other strategic decisions will remain with **3** Italy. Approximately 760 network and IT technicians are to be transferred to Ericsson. This agreement is expected to provide cost savings of approximately €250 million over five years. **3** Italy is on target to be EBITDA breakeven, before expensed CAC, on a month-by-month basis from April onwards and EBITDA positive after expensed CAC in the latter part of this year.

In December, an arbitration panel of the International Court of Arbitration of the International Chamber of Commerce issued a ruling in the arbitration proceedings between Hutchison International Limited ("HIL") and Hutchison 3G Italia S.p.A. ("Hutchison 3G Italia") and CIRtel International S. A. ("CIRtel"), a minority shareholder in Hutchison 3G Italia. Subsequent to the arbitration ruling, the Group agreed with CIRtel to acquire all the shares and rights of repayment of loans held by CIRtel, thus increasing the Group's interest in Hutchison 3G Italia to 91.3%.

Australia

The Group's 57.8% owned listed subsidiary in Australia, Hutchison Telecommunications Australia ("HTA"), announced turnover of A$1,173 million, an increase of 232%, and a net loss attributable to shareholders of A$552 million compared to A$410 million last year. Included in these consolidated results are HTA's 2G operations, which reported a 31% increase in the Orange Mobile 2G customers to over 426,000. The 2G operations revenue grew 45% to A$ 366 million and reported EBITDA of A$48 million.

Also, included in HTA's consolidated results are the results of Hutchison 3G Australia ("H3GA") in which HTA has an effective 80.1% interest. H3GA reported a 356% increase in revenues to A$402 million during the year. H3GA grew its customer base by 422% in 2004, and currently totals 543,000 while ARPU increased from last year. The revenue contribution from non-voice services, including messaging, multimedia content services and high-speed data access also grew strongly and represented 13% of ARPU for the 12-month period. H3GA introduced a sports tariff package during the year which offers unlimited access to certain sports content for an additional fixed monthly fee which was successfully promoted by popular Australian Test Cricket team members. Other popular service offerings were launched including a real-time combat game that allows multiple users to participate, each using their own 3G handset. In August, H3GA launched a prepaid service and the market reception has been encouraging.

In December, H3GA signed an agreement with Telstra Corporation ("Telstra") to establish a new partnership to own and operate H3GA's existing WCDMA radio access network. In return for 50% ownership of the network assets, Telstra will pay H3GA A$450 million under a fixed payment schedule. H3GA will also benefit from the sharing of network operations and maintenance costs and the expanded rollout of the network to regions where it does not have a 3G licence. A new national roaming agreement was also signed with Telstra that will expand the network footprint to 96% of the Australian population.

• ***3 Austria presents its mobile multi media services at "FunTec" fair.***

Sweden/Denmark/Austria

In Sweden and Denmark, the combined customer base grew by over 19 times, revenues increased approximately 27 times and ARPU remained stable during the year. In Austria, the customer base increased by over 16 times, revenues increased by almost eight times, while ARPU remained at an impressively high level. These businesses have continued to develop content and services that appeal to their local audiences. In Sweden, for example, offerings were launched to further facilitate the usage of locally tailored content on a recurring subscription basis. With these various content offerings, customers can access the latest content from MTV, receive golf lessons, access sports statistics and interviews from Aftonbladet, and receive domestic and international news from TT and Reuters.

During the year, the withdrawal of Orange SA from the 3GIS network joint venture, which was established to jointly build and operate a UMTS radio network to cover up to 70% of population coverage in Sweden, was finalised. Orange SA fulfilled its guaranteed funding obligations to the joint venture and the current ownership in the joint venture is equally held by **3** Sweden and Vodafone SA.

Others

The network in Ireland continues to be extended. Full commercial launch of the business is planned for the second half of 2005. The Norway business is under development.

Interest Expense, Finance Costs and Taxation

The Group's interest expense and finance costs for the year, including its share of associated companies' and jointly controlled entities' interest expense amounted to HK$12,712 million, an increase of 33%, mainly due to increased loan balance to fund the development of the **3** Group businesses in the UK, Italy and Australia. The Group recorded a net taxation credit of HK$3,042 million, compared to last year's taxation credit of HK$3,096 million. The net credit position is due to the recognition of deferred taxation assets totalling HK$6,818 million (2003 - HK$5,854 million), relating to the expected future tax benefits of **3** Group losses for the year in the UK and Italy. The **3** Group's current performance trend provides convincing evidence that it is probable these benefits will be realised. Deferred tax assets are carried on the Group's balance sheet and reduce net loss after taxation and minority interests ("NLAT") for the year. As with any balance sheet asset, these must be tested for impairment at each balance sheet date. In the case of the **3** Group's deferred tax assets, such impairment could be required if and to the extent that, at a future time, the performances of the businesses do not provide convincing evidence that it is probable that such tax benefits would be realised.

Summary

The Group's established businesses remain strong and continue to expand and grow. Our focus on expanding our global presence through organic growth and acquisitions where good opportunities arise, will ensure that these businesses are well positioned to sustain steady and strong growth.

The tremendous customer growth in the rapidly developing **3** Group businesses in 2004 has firmly established these businesses and I believe they are on track to meet their EBITDA breakeven target this year. **3** Group plans to continue to gain market share by capitalising on "first mover" advantages and through the rollout of new, innovative and entertaining 3G services. As these businesses begin to make positive contributions to the Group over the next few years, shareholders value will be enhanced.

The results of 2004 were achieved, despite strong competition in all markets, through the strong supportive efforts and the focused dedication of the Group's employees, I would like to join our Chairman in thanking them for their continuing loyal support and hard work throughout the year.

Fok Kin-ning, Canning
Group Managing Director

Hong Kong, 31 March 2005

The Group continues to have a strong financial position benefiting from both the steady and growing cash flow from its established businesses and cash and liquid investments on hand totalling HK$140,301 million at 31 December 2004. The Group is currently rated A- by Fitch Ratings, A3 by Moody's, and A- by Standard & Poor's. In February this year, Moody's reconfirmed its A3 rating of the Group and revised the outlook from negative to stable.

The Group's total shareholders' funds increased 7% to HK$260,841 million at 31 December 2004 compared to HK$244,017 million at the end of last year. The comparative 2003 amount has been restated to reflect the adoption of HKAS and HKFRS as explained in Note 1(a) to the accounts. The increase in shareholders' funds mainly reflects the profit and dividends paid for the year and the positive impact of exchange translation differences.

Net debt of the Group was HK$142,692 million (2003 – HK$87,602 million) and the net debt to net total capital ratio was 33% (2003 – 24%). This ratio is a combination of the net debt to net total capital ratio of the established businesses of approximately 1% (2003 – 9%) and of the **3** Group businesses of approximately 67% (2003 – 38%). The Group continues to benefit from the low net debt levels of its established businesses, while the net debt of the **3** Group businesses increased in 2004 to fund the build-up of these businesses, mainly in the UK, Italy and Australia. The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$34,090 million (2003 – HK$36,393 million), of which HK$21,428 million (2003 – HK$23,422 million) related to **3** Group businesses. Capital expenditures for the ports and related services division amounted to HK$4,654 million (2003 – HK$6,559 million); for the property and hotels division HK$702 million (2003 – HK$858 million); for the retail and manufacturing division HK$2,331 million (2003 – HK$1,475 million); HK$99 million (2003 – HK$124 million) for the energy, infrastructure, finance and investments division and for HTIL HK$4,876 million (2003 – HK$3,955 million). The investment in customer acquisition costs totalled HK$21,227 million (2003 – HK$3,699 million) comprised of 3G postpaid CAC of HK$12,804 million (2003 – HK$2,782 million) which is capitalised, and 3G prepaid CAC of HK$8,423 million (2003 – HK$917 million) which is expensed as incurred. The capital expenditures for the **3** Group businesses in Italy and Australia were primarily funded by financing facilities. The Group's remaining capital expenditures and investments in customer acquisition costs were funded primarily from cash generated from operations, cash on hand and to the extent required, by borrowings.

At 31 December 2004, the Group's cash, liquid funds and other listed investments totalled HK$140,301 million (2003 – HK$185,542 million) of which 11% were denominated in HK dollars, 61% in US dollars, 1% in British pounds, 21% in Euros and 6% in other currencies. The year-on-year decrease mainly reflects the repayment of loans described in the following paragraph. Cash and cash equivalents represented 54% of the total, listed held-to-maturity fixed income securities 36%, listed equity securities 7% and long-term deposits 3%. The listed held-to-maturity fixed income securities including those held under managed funds comprise US treasury notes (45%), government issued guaranteed notes (24%), supranational notes (16%) and others (15%). More than 80% of these securities investments are rated at Aaa/AAA, with an average duration of approximately 3.8 years.

The Group's total borrowings at 31 December 2004 were HK$282,993 million (2003 – HK$273,144 million) of which HK$51,998 million related to the external borrowings of the 3G Italy operations (2003 – borrowings of Hutchison 3G UK and 3G Italy: HK$53,235 million). During the year, the Group repaid exchangeable notes of US$2,657 million on maturity and repaid the more expensive 3G UK project financing loan of £1,551 million in April 2004 as planned, utilising the cash raised from the issuance of seven to thirty years US dollar denominated notes in the latter half of last year. The significant financing activities in 2004 were as follows:

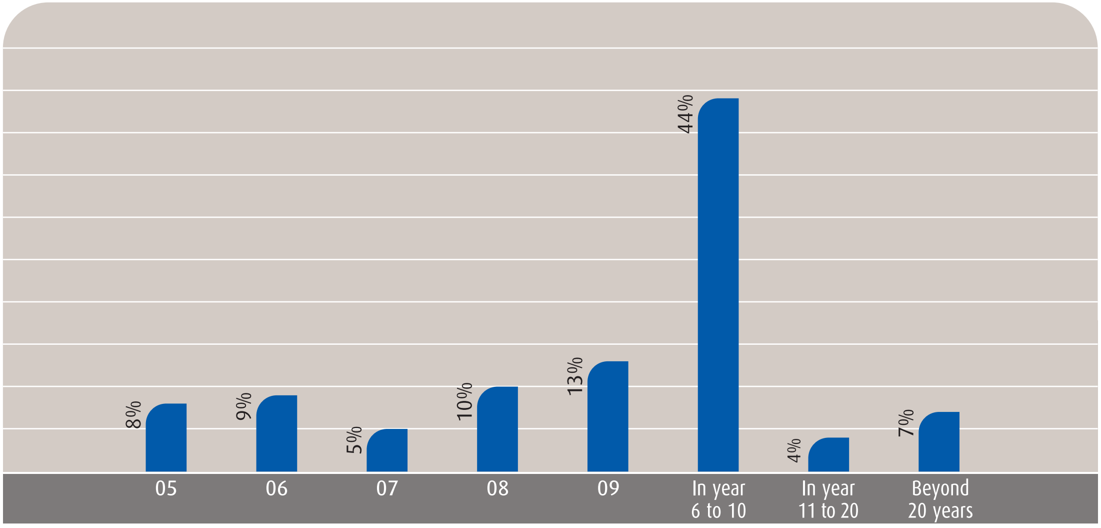
- During the year, €1,844 million was drawn on existing loan facilities to finance the 3G Italy operations;
- During the year, HTIL has drawn down HK$1,000 million from its short-term one year, floating rate, HK$8,000 million bank loan facility mainly to finance its network expansion;
- In August, HTA secured a five-year, floating rate, loan note facility of A$1,500 million, to refinance existing loans and fund the 3G network expansion in Australia;
- In September, CKI secured a five-year, floating rate, A$300 million syndicated loan, to refinance its unsecured bank loan of A$500 million on maturity;
- In October, AS Watson ("ASW") secured a five-year, floating rate, €1,280 million syndicated loan, mainly to refinance existing debt; and
- In December, ASW obtained a seven-year, floating rate, €500 million term loan, mainly to refinance existing debt

The Group's borrowings at 31 December 2004 are denominated and repayable as follows:

	HK$	US$	£	€	Others	Total
Within 1 year	4%	–	–	–	4%	8%
In 2006	4%	–	1%	2%	2%	9%
In 2007	2%	2%	–	–	1%	5%
In 2008	5%	–	–	2%	3%	10%
In 2009	1%	–	–	7%	5%	13%
In years 6 to 10	–	24%	–	20%	–	44%
In years 11 to 20	–	2%	2%	–	–	4%
Beyond 20 years	–	6%	–	–	1%	7%
Total	16%	34%	3%	31%	16%	100%

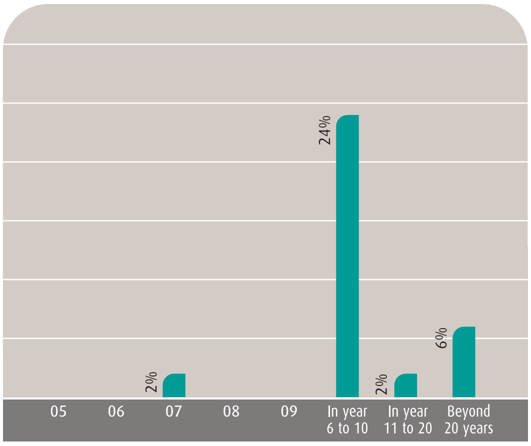
The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. All of the Group's borrowings are free of any credit rating triggers that would accelerate the maturity dates of debt outstanding.

Debt maturity profile - Total



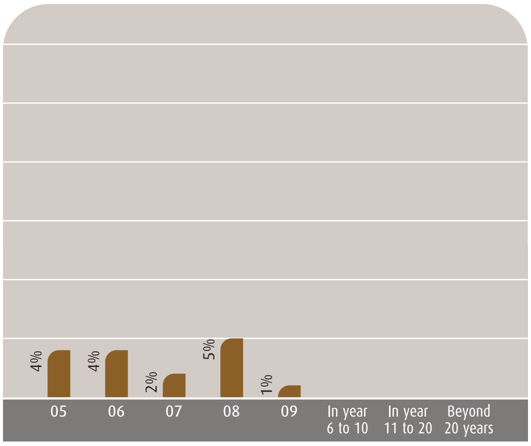
Maturity

Debt maturity profile - US Dollars



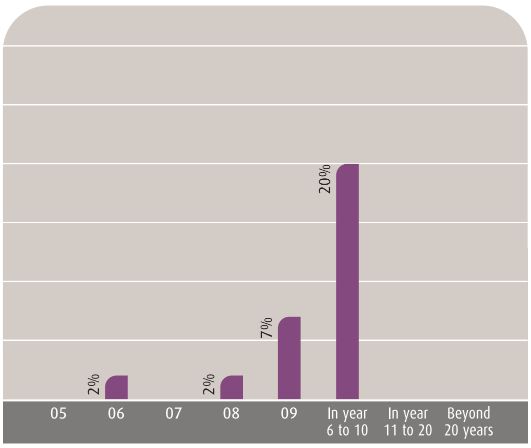
Maturity

Debt maturity profile - Hong Kong Dollars



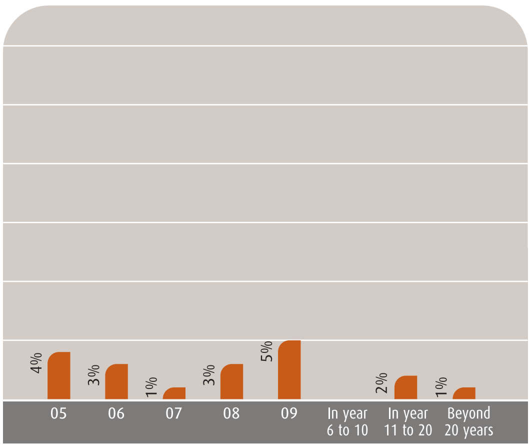
Maturity

Debt maturity profile - Euros



Maturity

Debt maturity profile - British Pounds and other currencies



Maturity

The Group's consolidated gross interest expense and finance costs before capitalisation for the year, including the **3** Group businesses and the Group's share of associated companies' and jointly controlled entities' interest expense and finance costs, totalled HK$12,712 million, compared to HK$9,568 million last year. Although the interest expense and finance costs of the established businesses decreased, reflecting repayment of certain loans and exchangeable notes as they matured, this was offset by higher interest expenses and finance costs of the **3** Group businesses, which was primarily due to a temporarily higher loan balance as the Group issued notes of US$5,000 million last year, which were partially used to repay the £1,551 million 3G UK project financing loan in April; and also higher loan balances as loan facilities were drawdown, mainly to fund the **3** Group businesses in Italy and Australia.

During the year, the Group disposed of its 20% interest in Procter & Gamble – Hutchison for a cash consideration of US$2 billion (HK$15,600 million) and received proceeds from the listings of HGCH and HTIL of HK$1,600 million and HK$7,700 million respectively. Consolidated EBITDA before 3G prepaid CAC amounted to HK$58,327 million (2003 – HK$33,903 million) and funds from operations ("FFO"), before capital expenditure, investment in 3G prepaid and postpaid CAC and changes in working capital, amounted to HK$15,829 million (2003 – HK$15,918 million). EBITDA and FFO from the Group's established businesses, excluding the **3** Group businesses, totalled HK$65,618 million (2003 – HK$45,474 million) and HK$29,697 million, (2003 – HK$29,686 million) respectively. Consolidated EBITDA and FFO including **3** Group losses covered consolidated net interest expense and finance costs 6.7 times and 2.0 times respectively (2003 – 5.2 times and 3.3 times).

At 31 December 2004, the shares of Hutchison 3G Italy owned by the Group were pledged as security for its project financing facilities. The assets of Hutchison 3G Italy amounted to approximately HK$83,273 million (2003 – pledged assets of Hutchison 3G UK and 3G Italy: HK$164,818 million). In addition, HK$41,107 million (2003 – HK$17,628 million) of the Group's assets were pledged as security for bank and other loans of the Group. Committed borrowing facilities available to Group companies, but not drawn at 31 December 2004, amounted to the equivalent of HK$33,656 million (2003 – HK$39,997 million), of which HK$17,400 million (2003 – HK$38,060 million) related to **3** Group businesses.

CONTINGENT LIABILITIES

At 31 December 2004, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$7,442 million (2003 – HK$13,193 million), and had provided performance and other guarantees of HK$5,994 million (2003 – HK$5,005 million) primarily for the Group's telecommunications businesses.

TREASURY POLICIES

The Group's treasury function operates as a centralised service for managing financial risks including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group and its companies. The Executive Directors agree and review the policies and procedures governing the Group's treasury activities, which are subject to periodic review by the Group's internal audit function. Regular treasury reports are provided to the Executive Directors which detail investment and funding activities, including the Group's holdings of cash, managed funds and other portfolio securities, the debt maturity profile, interest rates and currency exposures. Derivative financial instruments such as interest rate and foreign currency swaps are utilised as appropriate for risk management purposes only, for hedging transactions and in managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative financial transactions for speculative purposes.

Funding and Cash Management

The Group operates a central cash management system for all of its unlisted subsidiaries. The Group's holdings of cash, managed funds and other liquid investments expose the Group to a credit risk of the counterparty. The treasury policy sets aggregate credit limits of any one counterparty and regularly reviews these limits and credit ratings of the counterparties. Except for listed and certain overseas entities, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Managing Interest Rate Risk

The Group's interest rate exposure management policy focuses on reducing the Group's overall interest expense and exposure to changes in interest rates. As at 31 December 2004, approximately 57% of the Group's borrowings bear interest at floating rates and the remaining 43% are at fixed rates. When considered appropriate, the Group utilises derivatives, for example, interest rate swaps and forward rate agreements to manage the Group's interest rate exposures. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK$97,458 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$10,956 million principal amount of floating interest rate borrowings was swapped to a fixed interest rate borrowing. After taking into consideration these interest rate swaps, as at 31 December 2004, approximately 88% of the Group's borrowings bear interest at floating rates and the remaining 12% are at fixed rates.

The Group's main interest risk exposures relate to US dollar, Euro and HK dollar borrowings.

Managing Foreign Currency Risk

For overseas subsidiaries and associates and other investments, which consist of non-HK and non-US dollar assets, the Group generally endeavours to naturally hedge its foreign currency investments with the appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group monitors the development of the businesses cashflow and debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. For transactions directly related to the underlying businesses, forward foreign exchange contracts and currency swaps are utilised when suitable opportunities arise and, when considered appropriate, to hedge against major non-HK and non-US dollar currency exposures. As at 31 December 2004, the Group had entered into currency swap arrangements with banks to swap non-HK dollar borrowings of HK$650 million to US dollar borrowings, US dollar borrowings of HK$1,365 million to non-US dollar borrowings and non-US dollar borrowings of HK$3,606 million to non-US dollar borrowings to match currency exposure of the underlying businesses.

The Group's borrowings at 31 December 2004 were denominated as to 16% in HK dollars, 34% in US dollars, 3% in British pounds, 31% in Euros and 16% in others currencies.

In 2004, a relative weakening in the value of the HK dollar against the currencies of countries where the Group has operations gave rise to a credit of HK$8,032 million on translation of these operations' net assets to our HK dollar reporting currency which was reflected as a movement in the Group's reserves.

Credit Loss Risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligations with the result that the Group thereby suffers financial loss. These credit risks are minimised by the Group's internal controls and its procedures for monitoring and reporting credit risks to the Group's management.

Note 1 to the Group's consolidated financial statements includes a summary of the significant accounting policies used in the preparation of the statements. The preparation of financial statements often requires the selection of specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and judgements may be required in selecting and applying those methods and policies in the Group's consolidated financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The selection and disclosure of the critical accounting policies and estimates have been discussed with the Group's Audit Committee. The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the consolidated financial statements.

Long-lived Assets

The Group has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed-line telecommunications networks and licences, container terminals, and properties. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgement and estimates by management.

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect asset values; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. A review was undertaken at 31 December 2004 to assess whether the carrying value of the Group's 3G telecommunications fixed assets and licences was supported by the net present value of future cash flows derived from these assets using cash flow projections for each business. The results of the review undertaken at 31 December 2004 indicated that no impairment charge was necessary.

Cash flow projections for the 3G businesses reflect investments in telecommunications spectrum licences and network infrastructure to provide voice and increasing demand for non-voice value added services such as content, multi-media messaging and video services which are forecast to be significant drivers of future revenue as well as investments in customer acquisitions. Capital expenditure and customer acquisition costs are heaviest in the early years of projections but are forecast to decline progressively as a percentage of revenues. Forecast revenue growth and profitability are driven by a combination of new customers and improving operating margins driven in part by a change in the mix of voice and non-voice revenues and enhanced customer propositions. Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the review were based on country specific pre-tax weighted average cost of capital percentages and ranged from 8% to 12%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

Depreciation and Amortisation

(i) Property, Plant and Equipment

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of property, plant and equipment is charged as depreciation expense over the estimated useful lives of the respective assets using the straight line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications Licences

Telecommunications spectrum licences acquired are stated at cost for the period from acquisition to the dates of first commercial usage of the related spectrum. Thereafter licences are stated net of accumulated amortisation and amortised on a straight line basis over the remaining licence periods. The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted licence periods, which could impact the amount of amortisation expense charged to the profit and loss account.

(iii) Telecommunications 3G Customer Acquisition Costs

Costs to acquire 3G mobile telecommunications customers pursuant to a contract with early termination penalties ("Postpaid 3G CAC") are capitalised and amortised over the period that the penalties apply (the period of contractual control), which is generally a period of twelve months. In the event that a customer churns off the network within the contractual control period, any unamortised 3G customer acquisition costs are written off in the period in which the customer churns.

Costs to acquire prepaid 3G mobile telecommunications customers ("Prepaid 3G CAC") are expensed in the period incurred.

In previous years, costs to acquire postpaid and prepaid 3G mobile telecommunications customers were capitalised and amortised over the estimated customer relationship period of 36 months. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment review described above to assess whether there are indications that the carrying value may not be recoverable.

Judgement is required to determine key assumptions adopted for the annual impairment review as described above.

Investment Properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held for their investment potential. Such properties are carried in the balance sheet at their fair value based on existing use as determined by an annual professional valuation. Upon the adoption in 2004 of HKAS 40 "Investment Property", changes in fair values of investment properties, which were previously taken directly to investment properties revaluation reserves, are recorded in the consolidated profit and loss account. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly.

Taxation

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the profit and loss account.

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. The ultimate realisation of these deferred tax assets depend principally on these businesses achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. Based on the taxable profit and loss projections of these businesses, it is more likely than not that the Group can fully utilise the deferred tax assets recognised within the utilisation periods. It may be necessary for some or all of these deferred tax assets be reduced and charged to the profit and loss account if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used in the taxable profit and loss projections can significantly affect these taxable profit and loss projections.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Pension Costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are using the projected unit credit method in accordance with SSAP 34 "Employee Benefits". Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees, in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end, to the extent of the amount in excess of 10% of greater of the present value of plan obligations and the fair value of plan assets at that date, are recognised over the average remaining service lives of employees. Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the audited consolidated accounts for the year ended 31 December 2004 in accordance with the Hong Kong accounting requirements.

The actuaries use assumptions and estimates in determining the fair value of its defined benefit plans and evaluate and update these assumptions on an annual basis. The actuaries have assumed that the expected long-term rate of return on the assets of the Group's various defined benefit schemes range from 4.5% to 11%. At 31 December 2004 the fair value of plan assets and the present value of defined benefit obligations amounted to HK$7,977 million and HK$10,401 million respectively, resulting in a deficit between the fair value of plan assets and the present value of plan obligations of HK$2,424 million of which HK$1,143 million has been recognised.

Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

The Group's business, financial condition and results of operations may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Industry Trends and Interest Rates

The Group's results are affected by trends in the industries in which it operates, including the ports and related services, property, retailing, infrastructure and energy, and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduces its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends, for example, declining property values in Hong Kong, lower oil and gas prices, cyclical downturn in the business of shipping lines, a decline in the value of securities investments and volatility in interest rates. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon the interest rate and currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

Currency Fluctuations

The Group reports its results in Hong Kong dollars but its various subsidiaries and associated companies around the world, receive revenue and incur expenses in more than 36 different local currencies. The Group is thereby exposed to the potentially adverse impact of currency fluctuations on translation of the accounts of these subsidiaries and associates and also on the repatriation of earnings, equity investments and loans.

Although the Group actively manages its currency exposures, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar, could adversely affect the Group's financial condition and the results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial condition and the results of operations. Competitive risks faced by the Group include:

- vertical integration of international shipping lines, who are major clients of the Groups port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require use of the Group's terminal facilities;
- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, rate of customer growth and retention prospects and hence the revenues it receives as a major provider of telecommunications services.
- risk of competition from entities providing alternate telecommunications technologies and potential competition in the future from technologies being developed or to be developed;
- an increasing number of developers undertaking property investment and development in the Mainland, which may result in lower returns achieved on the Group's property developments; and
- significant competition and pricing pressure from retail competitors in Asia and Europe is expected to continue and may adversely affect the financial performance of the Group's retail operations.

Strategic Partners

The Group conducts some of its businesses through non-wholly owned subsidiaries and associated companies in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly owned subsidiaries and associated companies and the markets in which they operate. Furthermore, other investors in the Group's non-wholly owned subsidiaries and associated companies may undergo a change of control or financial difficulties which may affect the Group's financial condition and results of operations.

Future Growth

The Group continues to expand the scale and geographic spread of its established businesses through investment in organic growth and by selective acquisitions. Success of the Group's acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. Failure to operate the acquired businesses successfully and thereby achieve the expected financial benefits, may impact the financial condition and results of operations of the Group.

The Group has made substantial investments in acquiring 3G licences and developing its 3G networks in Europe, Australia, Israel and Hong Kong. To achieve profitability and the expected return on the Group's investment, the 3G businesses need to continue to increase customer levels and operating margins in order to cover running operating costs, customer acquisition costs and capital expenditure requirements. If the Group is unable to significantly increase customer levels and operating margins, the cost of operating its 3G businesses could increase the total investment and funding requirement for these businesses and impact the financial condition and results of the Group.

Impact of National and International Regulations

As a global business, the Group is exposed to local business risks in several different countries which could have a material adverse effect on its financial condition or results of operations. The Group operates in many countries around the world, and one of its strategies is to expand outside its traditional market in Hong Kong. The Group is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the national or international level, such as those required by the European Union ("EU") or the World Trade Organisation ("WTO"). These include:

- changes in tariffs and trade barriers;
- competition law requirements, such as restrictions on the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;
- delays in the process of obtaining or maintaining licenses, permits and governmental approvals necessary to operate certain businesses, particularly certain of the Group's infrastructure businesses and certain of its joint ventures in the Mainland;
- telecommunications regulations; and
- environmental laws and regulations.

Ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime change or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including the Group's port operations.

Husky Energy's business is subject to environmental laws and regulation in common with other companies in the oil and gas industry. In meeting its regulatory obligations, Husky incurs costs for preventative and corrective actions. Changes in these regulations could have an adverse affect on Husky's financial condition and results of operations.

New policies or measures by governments, whether fiscal, regulatory or other competitive changes, may pose a risk to the overall investment return of the Group's energy and infrastructure businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenues and profit.

The operations of the Hongkong Electric are subject to a scheme of control agreement with the Hong Kong government (the "Scheme of Control"). The original Scheme of Control expired in 1993 and was extended for another 15 years to December 31, 2008. Under the Scheme of Control, shareholders of Hongkong Electric are entitled to a net return of 15% on net fixed assets financed by shareholders' funds and a minimum net return of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings. The Scheme of Control is designed to ensure a balance of benefits for both consumers and Hongkong Electric's shareholders. There can be no assurance that changes to or abolition of the Scheme of Control in the future will not adversely affect Hutchison's financial condition and results of operations.

The Group is only permitted to provide telecommunications services and operate networks under licenses granted by competent authorities in individual countries. All of these licenses are issued for a limited period of time and may not be renewed, or, if they are renewed, their terms may be changed. These licenses contain a number of requirements regarding the way the Group must conduct its business, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licenses. Decisions by regulators regarding the granting, amendment or renewal of licenses, to the Group or other parties, and changes in legislation, regulation or government policy affecting the Group's business activities, as well as decisions by regulatory authorities or courts, could adversely affect the Group's financial condition and results of operations.

The Group's overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it does business.

Hong Kong and the Mainland

A significant portion of the Group's operations are conducted in Hong Kong. As a result, the Group's financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly in the Mainland. There can be no assurance that the Group's financial condition and results of operations will not be adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland's trading relationships with other countries have from time to time adversely affected the Hong Kong economy and property market.

The Group currently has investments in many joint venture companies in the Mainland, and could decide to invest considerable capital resources to enter various markets in the Mainland. The value of the Group's investments in the Mainland may be adversely affected by significant political, social or legal uncertainties in the Mainland. The Chinese government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Chinese economy and could discourage foreign investment.

Our People

With operations stretching around the world in 45 countries, Hutchison Whampoa's 182,000 employees are fundamental to our success. They are also the ambassadors of our many brands and businesses. Most importantly, Hutchison Whampoa, as a dynamic and innovative enterprise, encourages employees to be proud of their personal achievements and their company.

Emphasis is placed on the quality and abilities of the Group's employees with continuing education, training and development actively encouraged through a wide variety of schemes and programmes.

Our values

The values we encourage in our people are: candour, courtesy, courage, an ability to deal with change and respect for humanity, personal dignity and privacy. Our employment policy around the world is to find the right person regardless of race, colour, sex or religious belief. As a company operating in 45 countries with an even greater number of nationalities working for us and a global outlook, we embrace diversity.

Code of Conduct

Our staff are also expected to adhere to the highest standards of ethical, personal professional conduct. The importance of ethical behaviour is spelled out in the Code of Conduct booklet provided to every employee.

Sharing our success

Hutchison Whampoa's remuneration policy is to meet market rates for all employees. Creative and entrepreneurially-minded employees who contribute ideas that work are rewarded.

Managers are rewarded for good performance through a system that provides both security, through the fairness of a guaranteed basic salary, and challenge, with a bonus system that emphasises performance, enabling every manager to contribute to a standard of performance agreed with the company.

A wide range of benefits and discounts are available for our staff to enjoy when shopping or using services at the wide range of Hutchison Whampoa retail outlets and service providers. These benefits are successful in rewarding employees, fostering pride and encouraging loyalty.

All our employees receive medical, life and disability insurance. Our pension schemes provide our people with security and comfort in retirement.

Developing our people

We believe in allowing our people to develop their true potential. Assisting employees to reach their goals involves development and training. Hutchison Whampoa provides extensive training for employees. These range from management programmes and executive coaching, to language skills and professional development. Given Hutchison Whampoa's wide array of businesses, training is spread across many fields from the "Commercial Battlefield" series for executives at

The Sports and Family Day is an important annual event for HWL staff across the globe to get together to know one another better.

PARKnSHOP, wine tasting for our wine employees at retail outlets, service and sales training for front-line employees in our telecommunications division, to diploma programmes in vocational fields for employees of the property group. Hutchison Whampoa's Training Centre also has an e-Learning service that provides employees with opportunities to study online through a web portal.

Our global operations also provide employees with opportunities to not only work in different cultures but also to gain exposure and experience with the latest technological developments and trends.

Fostering Pride

A host of activities are conducted at Hong Kong headquarters and at operations around the world to encourage a sense of "family" at Hutchison Whampoa. The highlight is the annual sports and family day held in Hong Kong, at which all business operations host displays and activities in a fun atmosphere for the enjoyment of all our people.

Hutchison Whampoa is a group of diverse companies operating around the globe, renowned for its entrepreneurial yet practical approach to business. As a result, our success and reputation for creating value for shareholders has tended to overshadow the Group's equally-strong commitment to our wide range of stakeholders. We have always recognised that our success is built on the achievements of the various groups that exist within as well as outside our corporate structure. We are deeply aware of the impact our businesses have on society and the world around us.

As a 177-year-old company, the notion of corporate social responsibility is not new to Hutchison Whampoa. From our early origins as a pharmacist in Guangzhou and Hong Kong in the early 1800s to rapid expansion over the past 20 years as an internationally-diversified business with holdings in ports, retailing, telecommunications, property and energy, this company has thrived through partnerships and a commitment to serve. Corporate social responsibility has always made good business sense for Hutchison Whampoa. We have adopted a partnership approach not only with customers, suppliers and employees, but also with the wider community that surrounds us and with which we interact.

Our notion of corporate social responsibility is based at the most fundamental level on the belief that our business activities serve multiple purposes: providing products and services which make life better for everyone, benefiting shareholders and at the same time engaging in a meaningful dialogue with other stakeholders and the community to understand the impact of our businesses as well as the expectations of society.

Apart from making continuous contributions to the Community Chest of Hong Kong, the Group undertakes a wide range of philanthropic efforts as well as community initiatives that are designed to make life better for people from all walks of life. These are also undertaken to provide substance to our engagement with stakeholders and community groups. With our extensive links to the global society, Hutchison Whampoa has a wide range of community relations initiatives in place. These programmes stretch around the globe and across all of Hutchison Whampoa's operating divisions, reaching out into all of the communities in which we operate.

Environment

Our group companies have an extensive programme in place to mitigate the effects of their activities on the environment. Our commitment to the environment is extensive and exists on three levels: minimising the impact of existing business activities; using Hutchison Whampoa's entrepreneurial spirit to develop new environmentally-friendly products and processes with potential commercial applications; and providing support for conservation and environmental protection programmes.

Schoolchildren show strong interest in the giant bookmark when the Smart Power Giant Storybook tours primary schools.

These range from PARKnSHOP's recyclable plastic bags and initiatives to reduce customers' use of plastic bags, to Hongkong Electric's installation of HK$4 billion worth of equipment to minimise environmental impacts including air pollution, and installation of a wind turbine on Lamma Island, the first commercial-scale wind turbine in Hong Kong. They also include Cheung Kong Infrastructure's innovative projects that include using fuel ash from power stations in cement manufacture as well as a pilot hydrogen energy station and bus project in Hong Kong.

Husky Energy helps Canada's aboriginal communities participate in the country's economic development through programmes promoting business opportunities, employment, education and training.

In addition, Hongkong Electric sponsored the annual "Clean Up the World in Hong Kong Campaign" organised by Green Power. To encourage awareness of the importance of energy efficiency among students, Hongkong Electric has been running a Smart Power Campaign. A competition to tap young people's creativity was held around the theme of "Embrace Heaven, Earth and Sea - Nature and Energy" in March 2004 and attracted 1,745 entries. Energy audits were conducted for 38 participating schools to improve energy efficiency.

Husky Energy in Canada supports about 60 community-based conservation projects - including C$500,000 in contributions over the past 15 years to Duck Unlimited Canada to restore wetland habitats and provide education. It is one of only five Canadian companies to receive the prestigious Ducks Unlimited Gold Legacy Sponsor Award.

Husky Energy is helping to build an open classroom in a forest ecosystem in a courtyard setting at the University of Ottawa. Students will learn about the ecosystems, environment and biodiversity of Canada's boreal forests.

Community

At the pinnacle of our community initiatives is the HWL Volunteer Team. Launched in November 2003, more than 450 volunteers from across the Group in Hong Kong undertake charity work in their spare time. They also take part in HWL-organised activities such as educating pre-schoolers at kindergartens about the importance of healthy eating habits, as well as visiting hospitals and homes for the elderly. Our volunteers are also active and enthusiastic participants in fund-raising efforts to assist charities.

An unexpected benefit of 3G technology has been the power it has given to deaf people to communicate by mobile phone. In Sweden, **3** has collaborated with the Swedish National Association of the Deaf to develop a website page using sign language to inform deaf people about how 3G technology can improve mobile communications. In Austria, **3** has introduced a 3Visual tariff package with the Vienna Deaf and Dumb Care Society. An interactive mobile sign dictionary containing about 1,700 signs was developed by **3** and the Institute for Media Art and Science Transfer.

In Mexico, employees of the ICAVE (Veracruz) port made donations to build a rehabilitation centre for physically handicapped children. Ensenada Cruiseport Village provided food, clothes, diapers and other necessities for children at Gabriel's Houses Orphanage, which cares for 50 neglected and handicapped children ranging in age from babies to 17, many of whom are infected with the AIDS virus.

Education

Every year since 2002, the Hutchison Chevening Scholarships Scheme – with a £2.02 million contribution from Hutchison Whampoa matched by the British Government and Cambridge University - sends 63 postgraduate students from Hong Kong and Mainland China to study in the United Kingdom on scholarships. Another donation of £2 million was also made by the Group to support Mainland and Hong

Kong scholars in their doctoral studies in the United Kingdom. This sum will be matched by the UK Government under its Dorothy Hodgkin Postgraduate Awards scheme.

Watsons China funds the "Spring Bud Project" to aid girls who were being denied an education in the Mainland, and helped build a school for children in Jixi County in China's Anhui Province.

Hutchison Port Holdings makes a long-term contribution to communities in which it operates through the HPH Dock Schools project. Originating in Hong Kong, the programme now operates in countries as diverse as the Mainland, the UK and Panama, providing schools with funding, scholarships and technical support, particularly for information technology.

The Thai Laem Chabang Terminal in Thailand donated computer equipment for the computer room at Ban Rattcharoen School as well as books for the library, school uniforms, stationery and dried food. A donation was also made for the construction of a new sanitation block. The spirits of the school's underprivileged children were further lifted by the terminal's sponsoring of a visit by 115 children to an aquarium and *Ripley's Believe It Or Not Museum* at the beach resort of Pattaya.

In Pakistan, Karachi International Container Terminal donated computer servers, backbone switch and peripheral equipment to the University of Karachi's Department of Computer Science so that students can develop and test new technologies.

In Indonesia, Jakarta International Container Terminal supports the At-Tauhid school for needy children in the poor village of Bekasi. The port helps pay the salaries of teachers and administrators, subsidises textbooks and learning aids for the 50 neediest students and provides education to 200 children.

Partner Communications in Israel built computer rooms at 11 schools with more than 160 computers installed for needy students.

- ***YICT welcomes a group of high school teachers and students in Shenzhen to the YICT Open Day. The group observes the terminal operations on board of a ferry called "Southern Pearl".***

Medical

On the medical front, Hutchison Whampoa's efforts cover research and development projects as well as patient support.

Apart from donating US$4 million to fund hepatitis research at the Stanford University Medical Center, the Group also helped establish the Hutchison/MRC Research Centre at the University of Cambridge with a donation of £5.3 million. This research centre will enable Cambridge to lead the world in the delivery of new ways of diagnosing, treating and preventing cancer.

● *Watsons Water is a major sponsor of sporting activities for young people in Hong Kong, promoting local sports development.*

In Italy, **3** donated video mobile phones so that children at the Bambin Gesu Pediatric Hospital in Rome and cancer sufferers at the San Raffaele Hospital in Milan could keep in constant visual contact with parents and loved ones.

In Sweden, ailing children being treated at their home are part of an innovative project by the Astrid Lindgrens Hospital for Children that allows them to keep in touch with doctors via video mobile phones donated by **3**.

Arts and culture

Hutchison Whampoa has been a long-time sponsor of the Hong Kong Arts Festival, which grows more and more popular each year with the general public of Hong Kong. Over the years, the Group has been helping bring French arts and culture to the doorstep of Hong Kong by way of sponsoring the annual Le French May.

These sponsorships are in addition to the financial support that the Group has over the years extended to the Hong Kong Philharmonic Orchestra, the Academy for Performing Arts, China Philharmonic Orchestra, National Ballet of China and China Cultural City, as well as a piano recital by Warsaw Chopin Competition winner Li Yundi.

Sports

The Group's sponsorship of Hong Kong athletes is mainly provided by the A S Watson group. Since its establishment in 1989, the Watsons Athletic Club has been a major sponsor of Hong Kong athletes, funding training camps and events for international and junior level participants. It is one of the biggest providers of athletics sponsorship in Hong Kong, with more than 500 members including 300 youth athletes. The Junior Elite Training Programme for potentially outstanding athletes aged eight to 11 is supported by PARKnSHOP and Fortress. Watsons Athletic Club holds a summer athletic programme with track and field training in July and August attended by more than 900 children aged 12 to 19.

The Group, together with associate company TOM, supported the China Open tennis tournament held in Beijing last September.

A baseball academy for children run by one of Panama's greatest sporting heroes, Omar Moreno, is being sponsored by Panama Ports Company. It opened in August with an intake of 168 children and aims to keep kids off the streets, away from the temptations of drugs and crime.

Disaster Relief

In conjunction with the Li Ka Shing Foundation, Hutchison Whampoa donated HK$24 million to the Asian tsunami victims and rebuilding efforts. The A S Watson Group separately raised more than HK$5 million for the tsunami victims.

Watsons Taiwan, concerned by the severe damage caused by a typhoon that hit central and southern Taiwan in July, assisted urgent relief work by donating NT$1.1 million to the Taiwan Red Cross Society.

LI Ka-shing

KBE, GBM, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Leopold, Commandeur de la Légion d'Honneur, JP, aged 76, has been an Executive Director since 1979 and the Chairman since 1981. He is also the Chairman of the Remuneration Committee of the Company. He is the founder and the Chairman of Cheung Kong (Holdings) Limited ("Cheung Kong"), a substantial shareholder of the Company under the Securities and Futures Ordinance (the "SFO"), and has been engaged in many major commercial developments in Hong Kong for more than 50 years. Mr Li served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also an Honorary Citizen of a number of cities in the Mainland and overseas. Mr Li is a keen supporter of community service organisations, and has served as honorary chairman of many such groups over the years.

Mr Li has received Honorary Doctorates from Beijing University, The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong, The Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the United Kingdom.

Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor, Deputy Chairman and the brother-in-law of Mr Kam Hing Lam, Executive Director.

LI Tzar Kuoi, Victor

aged 40, has been an Executive Director since 1995 and Deputy Chairman since 1999. He is the Chairman of Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") and Managing Director and Deputy Chairman of Cheung Kong. He is also the Co-Chairman of Husky Energy Inc. ("Husky Energy"), an Executive Director of Hongkong Electric Holdings Limited ("Hongkong Electric") and a Director of The Hongkong and Shanghai Banking Corporation Limited. In addition, he is a Director of Honourable Holdings Limited, Winbo Power Limited, Polycourt Limited and Well Karin Limited, all of which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Li serves as a member of the Standing Committee of the 10th National Committee of the Chinese People's Political Consultative Conference. He is also a member of the Commission on Strategic Development and the Economic and Employment Council of the Hong Kong Special Administrative Region.

He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr Li Tzar Kuoi, Victor is the son of Mr Li Ka-shing, Chairman and the nephew of Mr Kam Hing Lam, Executive Director.

FOK Kin-ning, Canning

aged 53, has been an Executive Director since 1984 and Group Managing Director since 1993. He is the Chairman of Hutchison Telecommunications International Limited ("Hutchison Telecommunications International"), Hutchison Harbour Ring Limited ("Hutchison Harbour Ring"), Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia"), Hutchison Global Communications Holdings Limited ("Hutchison Global Communications") and Partner Communications Company Ltd. ("Partner Communications") and the Co-Chairman of Husky Energy. He is also the Deputy Chairman of Cheung Kong Infrastructure and Hongkong Electric and a Director of Cheung Kong. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

CHOW WOO Mo Fong, Susan

aged 51, has been an Executive Director since 1993 and Deputy Group Managing Director since 1998. She is also an Executive Director of Cheung Kong Infrastructure, Hutchison Harbour Ring and Hutchison Global Communications and a Director of Hutchison Telecommunications International, Partner Communications, Hongkong Electric and TOM Group Limited ("TOM Group"). She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

aged 53, has been an Executive Director since 1991 and Group Finance Director since 1998. He is the Chairman of TOM Group and TOM Online Inc. He is also an Executive Director of Cheung Kong Infrastructure, Hutchison Global Communications and Hongkong Electric and a Director of Cheung Kong, Hutchison Telecommunications International, Hutchison Telecommunications Australia, Partner Communications and Husky Energy. In addition, he is a Director of Li Ka-Shing Unity Trustee Company Limited, Li Ka-Shing Unity Trustee Corporation Limited and Li Ka-Shing Unity Trustcorp Limited, which are also substantial shareholders of the Company under the SFO. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

LAI Kai Ming, Dominic

aged 51, has been an Executive Director since 2000. He is also the Deputy Chairman of Hutchison Harbour Ring and Hutchison Global Communications and a Director of Hutchison Telecommunications Australia and priceline.com Incorporated. He has over 25 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

George Colin MAGNUS

OBE, BBS, aged 69, has been an Executive Director since 1980. He is Chairman of Hongkong Electric and Deputy Chairman of Cheung Kong and Cheung Kong Infrastructure. In addition, he is a Director of Continental Realty Limited which is also a substantial shareholder of the Company under the SFO. He holds a Master's degree in Economics.

KAM Hing Lam

aged 58, has been an Executive Director since 1993. He is the Deputy Managing Director of Cheung Kong, Group Managing Director of Cheung Kong Infrastructure and President and Chief Executive Officer of CK Life Sciences. He is also an Executive Director of Hongkong Electric. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, Chairman and the uncle of Mr Li Tzar Kuoi, Victor, Deputy Chairman.

The Hon Michael David KADOORIE

GBS, Officier de la Légion d'Honneur, Commandeur de l'Ordre de Leopold II, Commandeur de l'Ordre des Arts et des Lettres, aged 63, has been a Director since 1995 and is currently an Independent Non-executive Director. He is also Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited.

Holger KLUGE

aged 63, has been appointed as an Independent Non-executive Director on 30 September 2004 and is a member of the Audit Committee and the Remuneration Committee of the Company. He worked 40 years for Canadian Imperial Bank of Commerce ("CIBC"), one of North America's largest financial institutions. From 1990 until his retirement in 1999, he was the President and Chief Executive Officer of CIBC's Personal and Commercial Bank. He is a Director of Hutchison Telecommunications Australia, Husky Energy, Hongkong Electric, TOM Group and Loring Ward International Inc. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

William Elkin MOCATTA

aged 52, has been an Alternate Director to Mr Michael David Kadoorie, an Independent Non-executive Director, since 1997. He is the Chairman of CLP Power Hong Kong Limited and CLP Properties Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

Simon MURRAY

CBE, aged 65, has been a Director since 1984 and is currently an Independent Non-executive Director. He is the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray and Associates Limited. He is also a Director of a number of listed companies including Cheung Kong and Orient Overseas (International) Limited.

OR Ching Fai, Raymond

JP, aged 55, has been a Director since 2000 and is currently an Independent Non-executive Director. He is a Director of The Hongkong and Shanghai Banking Corporation Limited, Bank of Communications, Cathay Pacific Airways Limited, Esprit Holdings Limited and Hang Seng Bank Limited. He was also the Chairman of the Hong Kong Association of Banks in 2003.

William SHURNIAK

aged 73, has been a Director since 1984 and is currently a Non-executive Director. He is also a member of the Audit Committee of the Company. He is Chairman of ETSA Utilities, Powercor Australia Limited and CitiPower Pty, a Director of Envestra Limited, Lane Cove Tunnel Company Pty Limited and CrossCity Motorway Pty Ltd and a Director and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan and The University of Western Ontario in Canada.

Peter Alan Lee VINE

OBE, VRD, JP, aged 83, was a Director from 1977 until his retirement on 7 January 2005. He was also a member of the Audit Committee of the Company. He is a Director of a number of listed companies in Hong Kong including Liu Chong Hing Investments Limited and Liu Chong Hing Bank Limited. He is a solicitor.

WONG Chung Hin

CBE, JP, aged 71, has been a Director since 1984 and is currently an Independent Non-executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is a Director of The Bank of East Asia, Limited and Hongkong Electric. He is a solicitor.

The Executive Directors of the Company are also the Senior Managers of the Group.

The Company strives to attain the highest standards of corporate governance, with an emphasis on a strong and diligent board of Directors (the "Board") and increasing transparency to shareholders. The Company has adopted sound governance and disclosure practices, a commitment to continuously improving those practices and an ethical corporate culture.

The principles of corporate governance adopted by the Group emphasise a quality board, sound internal control, and transparency and accountability to all stakeholders.

The Company has complied with the Code of Best Practice of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2004 except that Non-executive Directors had no set term of office but retire on a rotation basis. The Company is now in full compliance with all code provisions of the new Code on Corporate Governance Practices of the Listing Rules.

Below are the corporate governance practices adopted by the Group.

The Board

The Board is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value.

The Board, led by the Chairman, is responsible for the approval and monitoring of Group wide strategies and policies, approval of annual budgets and business plans, evaluating the performance of the Company, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Group Managing Director.

As at 31 December 2004, the Board comprised fifteen Directors, including the Chairman and the Deputy Chairman of the Group, the Group Managing Director, Deputy Group Managing Director, Group Finance Director, three Executive Directors, six Independent Non-executive Directors and one Non-executive Director. Biographical details of the Directors appear under the Directors and Senior Management section on pages 75 to 78.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules[(1)].

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(1) In September 2004, Mr Holger Kluge was appointed an Independent Non-executive Director of the Company. The Board has considered the non-executive directorship of Mr Kluge in TOM Group Limited and is satisfied with his independence as his role in that company is akin to that of an independent non-executive director even though he is designated as a non-executive director. In addition, he was previously a director of (i) certain trustee companies of discretionary trusts ("DTs") (including Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Discretionary Trust) in which the discretionary objects include Mr Li Tzar Kuoi, Victor and his spouse and children; (ii) certain trustee companies of unit trusts ("UTs") (including Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust) in which the DTs hold units; (iii) the holding companies of the above trustee companies (which do not carry on other businesses); and (iv) certain companies wholly owned by the UTs (derived from his directorships in the above trustee companies). The Board has considered Mr Kluge's past directorships referred to in (i) to (iv) above and is satisfied with his independence having regard to all relevant factors including the fact that Mr Kluge has not received any remuneration or derived any other benefit for his roles as such in (i) to (iv), that Mr Kluge did not control any of such boards of directors, and when performing their functions as trustees of the DTs and UTs, they exercised their power to hold interests in the trust assets, including shares in Cheung Kong (Holdings) Limited and the Company, independently without reference to the holding companies of the above trustee companies or any of Messrs Li Ka-shing, Li Tzar Kuoi, Victor and Li Tzar Kai, Richard as a holder of shares of these holding companies.

The roles of the Chairman and the Deputy Chairman are separate from that of the Group Managing Director. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, assisted by the Deputy Chairman, is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests of the Group so that Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. To this end, in addition to the regular Board meetings, the Chairman holds meetings with the Non-executive Directors at least annually without the Executive Directors present. The Board, under the Chairman's leadership, have adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Group Managing Director, assisted by the Deputy Group Managing Director, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of group policies and assuming full accountability to the Board for all group operations. Acting as the principal manager of the Group's businesses, the Group Managing Director attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Deputy Group Managing Director and Group Finance Director, other Executive Directors and the executive management team of each core business division, he ensures that the Board is fully apprised of the funding requirements of the businesses of the Group and presents annual budgets to the Board for consideration and approval. The Group Managing Director, with the assistance of the Group Finance Director, ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results against plans and budgets, taking remedial actions when necessary and advising the Board of significant developments and issues. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provide to the Directors information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held four meetings in 2004 and one meeting to date in 2005 with an average attendance rate of approximately 89.3%.

	Name of Director	Attended / Eligible to attend
Chairman	Li Ka-shing [1]	5/5
Executive Directors	Li Tzar Kuoi, Victor *(Deputy Chairman)* [1]	5/5
	Fok Kin-ning, Canning *(Group Managing Director)*	5/5
	Chow Woo Mo Fong, Susan *(Deputy Group Managing Director)*	5/5
	Frank John Sixt *(Group Finance Director)*	5/5
	Lai Kai Ming, Dominic	5/5
	George Colin Magnus	4/5
	Kam Hing Lam [1]	4/5
Non-executive Director	William Shurniak [2]	4/5
Independent Non-executive Directors	Michael David Kadoorie	3/5
	Holger Kluge [3]	2/2
	Simon Murray [4]	4/5
	Or Ching Fai, Raymond	5/5
	Peter Alan Lee Vine [5]	4/4
	Wong Chung Hin	3/5

Notes:

(1) Mr Li Ka-shing is the father of Mr Li Tzar Kuoi, Victor and the brother-in-law of Mr Kam Hing Lam.

(2) Re-designated from Independent Non-executive Director to Non-executive Director on 1 March 2004.

(3) Appointed as Independent Non-executive Director on 30 September 2004.

(4) Re-designated from Non-executive Director to Independent Non-executive Director on 30 September 2004.

(5) Resigned as Independent Non-executive Director on 7 January 2005.

All Non-executive Directors are engaged on a service contract for a twelve-month period. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotation basis. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies exist at the Board, candidates are proposed and put forward to the Board for consideration and approval, with a view of appointing to the Board individuals with leadership capabilities so as to enable the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials and attend extensive presentations given by senior executives to review the Group's businesses. Training and information are provided to Directors regularly to help ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

In March 2004, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code") as the Group's code of conduct regarding Directors' securities transactions. All Directors confirmed that they have complied with the Model Code in their securities transactions throughout the year.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Auditors' Report on page 115 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Company Secretary

The Company Secretary is responsible to the Board for ensuring that board procedures are followed and that activities of the Board are efficient and effective by assisting the Chairman to prepare agendas for meetings and by preparing and disseminating Board papers to the Directors and Board Committees in a timely and comprehensive manner.

The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of Report and Accounts and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Directors' dealings in securities of the Group.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Directors.

With respect to the Group secretarial function within the Group, the Company Secretary leads a team of qualified secretarial officers that maintains formal minutes for Board and other meetings.

In relation to connected transactions, regular briefings to legal counsels within the Group are made to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions for presentation to directors of relevant companies for their consideration in approving transactions.

Audit Committee

The Audit Committee, comprises two Independent Non-executive Directors and one Non-executive Director who possess the appropriate business and financial experience and skills to understand financial statements. The Committee is chaired by Mr Wong Chung Hin and the other members of the Committee are Messrs William Shurniak and Holger Kluge. Mr Peter Alan Lee Vine was a member of the Audit Committee throughout 2004 and resigned as an Independent Non-executive Director and Audit Committee member on 7 January 2005.

Under its terms of reference the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the activities of the Group's Internal Audit function, to engage independent legal or other advisers as it determines is necessary and to perform investigations.

The terms of reference of the Audit Committee is published on the Group's website.

The Audit Committee held three meetings in 2004 and two meetings to date in 2005.

Name of Member	Attended / Eligible to attend
Wong Chung Hin *(Chairman)*	5/5
William Shurniak	5/5
Holger Kluge[(1)]	2/2
Peter Alan Lee Vine[(2)]	3/3

Notes:

(1) Appointed as a member of the Audit Committee on 30 September 2004.

(2) Ceased to be a member of the Audit Committee on 7 January 2005.

Financial Statements

The Audit Committee meets and holds discussions with the Group Finance Director and other senior management of the Group on the interim results, preliminary results announcement and Annual Report. The Committee reviews and discusses the management's reports and representations with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Group's principal external auditors, PricewaterhouseCoopers ("PwC"), on the scope and outcome of their independent review of the interim results and on their annual audit of the consolidated financial statements.

External Auditors

The Committee reviews each year a letter from PwC confirming their independence and objectivity and holds meetings with PwC to discuss the scope of their audit, to approve the fees thereon, and to approve the scope and appropriate fees for any non-audit services requested to be provided by them.

The Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – includes audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditors.

- Audit related services – includes services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditors are to be invited to undertake these services that they must or are best placed to undertake in their capacity as auditors.

- Taxation related services – includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management and the Group's internal auditors with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – The Group's policy is that the external auditors are not eligible to provide services involving general consulting work.

An analysis of PricewaterhouseCoopers and other external auditor's fees is shown in note 33 to the accounts.

Review of Risk Management and Internal Control

The Committee reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. The Committee discusses with the Group's Internal Auditors the work plan for their audits together with their resource requirements and considers the Group Internal Audit General Manager's reports to the Committee on the effectiveness of internal controls in the Group business operations.

These reviews and reports are taken into consideration by the Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman Mr Li Ka-shing with Messrs Holger Kluge and Wong Chung Hin, both Independent Non-executive Directors as members. The Committee meets towards the end of each year for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. The Committee will assist the Group in the administration of a fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group and for determining their remuneration packages. Terms of reference of the Committee which have been adopted by the Board are available on the Group's website.

Executive Directors, assisted by the Group Human Resources Department, are responsible for reviewing all relevant remuneration data and market conditions in addition to considering the performance of individuals and the profitability of the Group, and propose to the Remuneration Committee for consideration and approval, remuneration packages for Directors and senior executives. Executive Directors, however, do not participate in the determination of their own remuneration.

Prior to the establishment of the Committee in 2005, for 2004, consistent with the principles applied in the past, the remuneration of Directors and senior executives was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Recent developments in corporate governance regulations which have increased the responsibilities of Directors, coupled with the expansion of the businesses of the Group, have increased the time and effort required of Directors to perform their duties. Director's fees have thus been increased from HK$50,000 in 2003 to HK$100,000 for 2004.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the Directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each Director of the Company for 2004 are as below:

Name	**Fees HK$ millions**	**Basic Salaries, Allowances and Benefits-in-kind HK$ millions**	**Bonuses HK$ millions**	**Provident Fund Contributions HK$ millions**	**Inducement or Compensation Fees HK$ millions**	**Total Emoluments HK$ millions**
Li Ka-shing(1)	0.05	–	–	–	–	0.05
Li Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	27.50	–	–	32.04
Paid by Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure")	0.70	–	6.24	–	–	6.31
Paid to the Company	(0.70)	–	–	–	–	(0.07)
	0.10	4.44	33.74	–	–	38.28
Fok Kin-ning, Canning(2)	0.10	9.76	124.85	1.93	–	136.64
Chow Woo Mo Fong, Susan(2)	0.10	7.05	28.60	1.40	–	37.15
Frank John Sixt(2)	0.10	7.05	27.50	0.61	–	35.26
Lai Kai Ming, Dominic(2)	0.10	4.41	10.00	0.77	–	15.28
George Colin Magnus(2)	0.10	4.03	3.50	–	–	7.63
Kam Hing Lam(2)						
Paid by the Company	0.10	2.25	6.93	–	–	9.28
Paid by Cheung Kong Infrastructure	0.07	4.20	2.64	–	–	6.91
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	9.57	–	–	11.92
William Shurniak(4),(5)	0.20	–	–	–	–	0.20
Michael David Kadoorie(3)	0.10	–	–	–	–	0.10
Holger Kluge(3),(5)	0.05	–	–	–	–	0.05
Simon Murray(3)	0.10	–	–	–	–	0.10
Or Ching Fai, Raymond(3)	0.10	–	–	–	–	0.10
Peter Alan Lee Vine(3),(5)	0.20	–	–	–	–	0.20
Wong Chung Hin(3),(5)	0.20	–	–	–	–	0.20
Total:	1.70	38.99	237.76	4.71	–	283.16

Notes:

(1) No management remuneration was paid to Mr Li Ka-shing during the year other than a Director's fee of HK$50,000 which he paid to Cheung Kong (Holdings) Limited.

(2) Directors' fees received by these Directors from the Company's listed subsidiaries have been paid to the Company and are not included in the amounts above.

(3) Independent Non-executive Directors. The total emoluments of the Independent Non-executive Directors of the Company are HK$750,000.

(4) Non-executive Director.

(5) Members of the Audit Committee.

Internal Control and Group Risk Management

Introduction

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk.

In meeting its responsibility the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the reviews by the Committees of the Board, the ongoing work of the Group's Internal Audit function and Risk Management function, as well as the regular business reviews by Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement or loss.

Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the boards of all significant material operating subsidiaries and associates to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets, and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for differences to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, each month the executive management teams' finance directors and financial controllers of each of the major businesses attend meetings with the Group Finance Director and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations and the Group's Treasury function oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group Financial Director has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Group Finance Director or other Executive Directors are required for material expenditures within the approved budget and also unbudgeted expenditures. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Group's internal audit function, reporting to the Group Finance Director on a day to day basis and also directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan. The plan is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and to report its findings to the Audit Committee, the Group Finance Director and the senior management concerned and also to follow up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditors on internal controls and relevant financial reporting matters are presented to the General Manager of the internal audit function and, as appropriate, to the Group Finance Director and the relevant executive management team's finance director or financial controller. These reports are reviewed and the appropriate actions taken.

Group Risk Management

The Group Managing Director and the Group Risk Management Department have the responsibility to develop and implement risk mitigation strategies including the use of insurance to transfer the financial impact of risk. The Group Risk Management Department, working with the business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting.

Investor Relations and Shareholders' Rights

The Group actively promotes investor relations and communications by setting up regular briefing meetings with the investment community when the interim and year end financial results are announced. The Group, through the Investor Relations Manager, responds to request for information and queries from the investment community.

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to dispatching circular, notices, financial reports to shareholders, addition information is also available to shareholders through Investor Information on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. The Chairman and Directors are available to answer questions on the Group's businesses at the meeting. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. All substantive resolutions at the annual general meeting are decided on a poll. The poll is conducted by the Group's Registrars and the results of the poll are published on the Group's website. Financial and other information is made available on the Group's website, which is regularly updated.

The Group values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Investor Relations Manager by mail or by e-mail to the Group's website.

By order of the board

Edith Shih
Company Secretary

Hong Kong, 31 March 2005

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and jointly controlled entities are shown on pages 165 to 170.

GROUP PROFIT

The consolidated profit and loss account is set out on page 116 and shows the Group profit for the year ended 31 December 2004.

DIVIDENDS

An interim dividend of 51 cents per share was paid to shareholders on 8 October 2004 and the Directors recommend the declaration of a final dividend at the rate of HK$1.22 per share payable on 20 May 2005 to all persons registered as holders of shares on 19 May 2005. The Register of Members will be closed from 12 May 2005 to 19 May 2005, both days inclusive.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the accounts and in the consolidated statement of changes in equity on pages 120 and 121, respectively.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to approximately HK$170,000,000 (2003 – approximately HK$142,000,000).

FIXED ASSETS

Particulars of the movements of fixed assets are set out in note 9 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the accounts.

DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2004 comprised Messrs Li Ka-shing, Li Tzar Kuoi, Victor, Fok Kin-ning, Canning, Chow Woo Mo Fong, Susan, Frank John Sixt, Lai Kai Ming, Dominic, George Colin Magnus, Kam Hing Lam, Michael David Kadoorie, Holger Kluge, William Elkin Mocatta (Alternate Director to Mr Michael David Kadoorie), Simon Murray, Or Ching Fai, Raymond, William Shurniak, Peter Alan Lee Vine and Wong Chung Hin.

Mr Li Fook-wo resigned and Mr Peter Alan Lee Vine retired as Directors with effect on 1 January 2004 and 7 January 2005 respectively. Mr Holger Kluge was appointed as an Independent Non-executive Director on 30 September 2004. The Board would like to record its appreciation for the services of Messrs Li Fook-wo and Peter Alan Lee Vine to the Group and is pleased to welcome the appointment of Mr Holger Kluge.

On 1 March 2004, Mr William Shurniak was re-designated as a Non-executive Director and Mrs Chow Woo Mo Fong, Susan was appointed as Alternate Director to Mr William Shurniak.

On 30 September 2004, Mr Simon Murray was re-designated as an Independent Non-executive Director and resigned as Alternate Director to both Messrs William Shurniak and Peter Alan Lee Vine. On the same date, Messrs Fok Kin-ning, Canning and Chow Woo Mo Fong, Susan resigned as Alternate Director to Messrs Simon Murray and William Shurniak respectively.

Messrs Li Tzar Kuoi, Victor, Fok Kin-ning, Canning, Kam Hing Lam and Wong Chung Hin and Mr Holger Kluge will retire by rotation at the forthcoming annual general meeting under the provisions of Article 85 and Article 91 of the Articles of Association of the Company respectively and, being eligible, will offer themselves for re-election.

The Company received the Independent Non-executive Directors' confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors are independent.

The Directors' biographical details are set out from pages 75 to 78.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On 12 March 2004, Hutchison Global Communications Holdings Limited ("Hutchison Global Communications ") (then known as "Vanda Systems & Communications Holdings Limited") became an indirect non wholly owned subsidiary of the Company upon completion of a share sale transaction on that day. An interest-bearing unsecured loan facility of up to HK$4,000,000,000 was made available by Hutchison International Limited ("HIL"), a direct wholly owned subsidiary of the Company, to Hutchison Global Communications Limited ("HGCL"), an indirect wholly owned subsidiary of Hutchison Global Communications, of which a principal amount of approximately HK$3,400,000,000 was drawn and outstanding as at 31 December 2003. On 12 March 2004, HIL agreed to continue to make available the facility of a revised facility amount of up to HK$3,400,000,000 to HGCL up to the maturity date of 17 July 2008, on normal commercial terms (the "HK$3.4b Facility"). On 12 March 2004, HIL also entered into an agreement with Hutchison Global Communications whereby HIL agreed to make available an interest-bearing unsecured loan facility of a principal amount of HK$1,000,000,000 (the "HK$1b Facility"). HIL assigned its respective rights and benefits under the HK$3.4b Facility and HK$1b Facility to Hutchison Telecommunications International (HK) Limited in September 2004. The provision of the HK$3.4b Facility and the HK$1b Facility constituted connected transactions for the Company under the then Listing Rules.

On 23 March 2004, the Company entered into a side letter (the "3GIS Side Letter") with Vodafone Sverige AB ("Vodafone"), Hi3G Access AB ("Hi3G"), Investor AB and 3G Infrastructure Services AB ("3GIS", a company then owned as to 33.33% by each of Hi3G, Vodafone and Orange Sverige AB) whereby the outstanding exposure under a guarantee (the "Hi3G Guarantee") provided by the Company in favour of 3GIS in August 2001 in respect of 60% of the obligation of Hi3G (an indirect non wholly owned subsidiary owned as to 60% by the Company and as to 40% by Investor AB) to provide a loan to 3GIS was increased from SEK856,366,414 to SEK1,568,117,014.20. Investor AB was a connected person by virtue of being a substantial shareholder of Hi3G, a non wholly owned subsidiary of the Company. The entering into of the 3GIS Side Letter by the Company constituted a connected transaction for the Company under the then Listing Rules.

On 27 May 2004, a sale and purchase agreement (the "S&P Agreement") was entered into between the Company and NTT DoCoMo, Inc. ("DoCoMo") whereby (i) the Company agreed to acquire, or procure the acquisition of, and DoCoMo agreed to sell to the Company (or its nominee(s)), the entire issued share capital of Brilliant Design Limited whose principal assets were 889,097,351 ordinary shares of £1 each (the "Sale Shares") in Hutchison 3G UK Holdings Limited ("Hutchison 3G UK Holdings"), a company which was beneficially owned as to 65% and 20% by the Company and DoCoMo respectively, at an aggregate purchase price of £120,000,000 (the "Consideration") payable in the US Dollar equivalent in three instalments; (ii) the Company was granted an option (the "HWL Put Option") to apply all or some of the instalments of the Consideration for the Sale Shares payable to DoCoMo in the purchase of the shares of Hutchison Telecommunications International Limited (the "HTIL Shares") from the Company (or its nominee) for the account of DoCoMo. The exercise price for the HWL Put Option in respect of the first instalment of up to £80,000,000 of the purchase price is the offer price for the HTIL Shares determined at the proposed initial public offering of the HTIL Shares (the "IPO Price"). The exercise price in respect of each of the second and third instalments of up to £20,000,000 each of the purchase price is the trading volume-weighted monthly average price of the HTIL Shares during the month preceding the date on which such shares are purchased. Completion of the exercise of the HWL Put Option was subject, inter alia, to the listing of the HTIL Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and (iii) DoCoMo was granted, for no separate consideration, an option (the "DoCoMo Option") to require the Company to purchase or procure the purchase of all the HTIL Shares acquired pursuant to the exercise of the HWL Put Option. The DoCoMo Option is exercisable up to 15 January 2007 and only after the HWL Put Option has been exercised. The exercise price for the DoCoMo Option varies with when such option is exercised from (i) the price offered to DoCoMo for the relevant HTIL Shares by a bona fide third party purchaser or, if none, at 95% of their then market price; to (ii) the then market price of the HTIL Shares. Further, if, upon the exercise of the DoCoMo Option, the aggregate of the sales proceeds from the exercise of the DoCoMo

Option plus all cash payments made by the Company to DoCoMo under the S&P Agreement that are not applied by DoCoMo in the purchase of HTIL Shares plus the value of any HTIL Shares retained by DoCoMo does not exceed £120,000,000 plus interest and transaction costs, then the Company shall pay to DoCoMo in cash an amount equal to that difference. Upon completion of the S&P Agreement on 15 February 2007 or such earlier date at the option of the Company, the Company's indirect shareholding in Hutchison 3G UK Holdings will increase from 65% to 85%. On 27 May 2004, a deed of novation (the "Loan Novation Deed") was also entered into among the Company, DoCoMo, Hutchison Europe Telecommunications S.à r.l. ("HET"), an indirect wholly owned subsidiary of the Company, and Hutchison 3G UK Holdings whereby DoCoMo novated to HET all of DoCoMo's rights and obligations under a loan agreement between DoCoMo, as lender, and Hutchison 3G UK Holdings, as borrower, dated 28 April 2003 pursuant to which the interest bearing shareholder's loan in the principal amount of £200,000,000 was advanced by DoCoMo to Hutchison 3G UK Holdings for an aggregate consideration of £206,438,454.86 payable in the US Dollar equivalent to DoCoMo upon signing of the Loan Novation Deed.

On 18 September 2004, the Company gave notice to DoCoMo to exercise the HWL Put Option to apply up to the first instalment (i.e. £80,000,000) of the Consideration for the Sale Shares in the purchase of the HTIL Shares for the account of DoCoMo pursuant to the S&P Agreement at the IPO Price. DoCoMo agreed to the exercise by the Company of the HWL Put Option and subsequently acquired 187,966,653 HTIL Shares at the IPO Price of HK$6.01 per HTIL Share.

DoCoMo was a connected person of the Company by virtue of being (i) a substantial shareholder of Hutchison 3G UK Holdings, and (ii) a substantial shareholder of Hutchison Telephone Company Limited and Hutchison 3G HK Holdings Limited, both of which were indirect non wholly owned subsidiaries of the Company. The above transactions constituted connected transactions for the Company under the Listing Rules.

Pursuant to a marketing agreement (the "Thai Marketing Agreement"), which is effective until 21 April 2015, entered into between Hutchison CAT Wireless MultiMedia Limited ("Hutchison CAT", an entity which is accounted for and consolidated in the Company's audited financial statements as a subsidiary of the Company pursuant to the applicable Hong Kong Financial Reporting Standards) and CAT Telecom Public Company Limited ("CAT Telecom"), Hutchison CAT provided exclusive marketing services for CAT Telecom in 25 provinces located in central Thailand was responsible for marketing and selling mobile phones and mobile telecommunications services to the public on behalf of CAT Telecom, as well as providing after-sale services and other supplementary services relating to such sales and marketing activities. Hutchison CAT marketed CAT Telecom's CDMA2000 1X network services under the *Hutch* brand name and received a percentage of the access fees, monthly services fees and sign-on fees paid by the subscribers. Hutchison CAT was also liable to pay to CAT Telecom certain network operating expenses. The Thai Marketing Agreement constituted a continuing connected transaction for the Company as CAT Telecom was a substantial shareholder of Hutchison CAT, a subsidiary of the Company within the meaning of that expression under Listing Rule 1.01.

In November 2004, Hutchison Whampoa Properties (Chengdu) Limited ("HWPC"), a company directly owned as to 50% by each of Bruckner Limited ("Bruckner") which is an indirect wholly owned subsidiary of the Company and Carton International Limited ("Carton") which is an indirect wholly owned subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong"), was successful in the bid of a piece of land with an area of 690,982.26 square metres (approximately 7,400,000 square feet), located at Lot No. 5, Shiyang Sub-district, New South District, Chengdu, the People's Republic of China ("the PRC") (the "Chengdu Land") for development into commercial and residential properties. To fund the payment of land cost, construction costs and other project costs for the development of Chengdu Land, the total investment of HWPC will be increased from US$6,000,000 to RMB3,000,000,000 and the registered capital of HWPC will be increased from US$3,000,000 to RMB1,050,000,000 in stages over the period ending May 2005. Any contribution to increase the registered capital of, and any shareholders' loans to, HWPC will be made equally by Carton and Bruckner in proportion to their respective equity interests in HWPC and for each contribution, HWPC will be (i) subject to Carton and Bruckner entering into a supplemental joint venture agreement and supplemental articles of association for HWPC; (ii) made according to a schedule which is determined by reference to the schedule for payment of the land cost to Chengdu Municipal Land and Resources Bureau; (iii) of an amount determined principally by reference to the amount of land cost due to be payable to the Chengdu Municipal Land and Resources Bureau; (iv) effected only upon the requisite approvals of the relevant governmental authorities in the PRC having been obtained; and (v) provided by Cheung Kong and the Company using their respective internal resources. The total investment and registered capital of HWPC have been increased from US$6,000,000 and US$3,000,000 respectively to RMB1,500,000,000 and RMB525,000,000 respectively. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of that expression under the Listing Rules. Each acquisition of additional equity interest in HWPC by Bruckner constituted or will constitute a connected transaction for the Company under the Listing Rules.

On 4 December 2004, (i) Swingfield Developments Limited ("Swingfield"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, as purchaser, (ii) HSH Holdings Limited ("HSH Holdings") as vendor, (iii) Cheung Kong and HIL, as the purchaser's guarantor and (iv) The Hongkong and Shanghai Hotels, Limited ("HK and Shanghai Hotels") as the vendor's guarantor entered into an agreement (the "KHL S&P Agreement") relating to the sale and purchase of (i) 5 shares of US$1 each, being the entire issued share capital, of The Kowloon Hotel Limited ("KHL") (the "KHL Sale Shares"); and (ii) the debts owed by KHL to HK and Shanghai Hotels and the debts owed by KHL on completion of the KHL S&P Agreement to HSH Finance Limited ("HSH Finance") together (the "Debts") at the final adjusted consideration of HK$1,921,963,483. The obligations of Swingfield under the KHL S&P Agreement including the payment of the consideration were guaranteed by Cheung Kong and HIL on a several basis provided that the liability of each of Cheung Kong and HIL under such guarantee shall not exceed 50% of any amount payable to HSH Holdings, HK and Shanghai Hotels or HSH Finance. The consideration would be funded by HIL and Cheung Kong in proportion to their indirect 50:50 interest in Swingfield. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of the Listing Rules. The establishment of Swingfield as the joint venture vehicle for the purpose of effecting the acquisition by Swingfield of the KHL Sale Shares and the benefit of the Debts pursuant to the KHL S&P Agreement constituted a connected transaction for the Company under the Listing Rules.

On 16 December 2004, Hutchison Whampoa Properties (Xi An) Limited ("HWPX"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into a land use right transfer contract (the "Xi An Contract") with Hi-tech Zone Branch, Xi An Municipal Land Resources and Real Estate Administration Bureau for the acquisition by HWPX of land use right in respect of six pieces of land with an aggregate area of 968.43 mu (approximately 6,950,000 square feet or 645,621 square metres) located at Xi An New and High Technology Development District, the PRC (the "Xi An Land") for a consideration of RMB1,005,000,000 payable by instalments and subject to the other terms and conditions set out therein. HWPX was established to own and develop the Xi An Land acquired through a public auction for development into residential and commercial properties. To fund the payment of land cost, construction costs and other project costs for the development of the Xi An Land, the total investment and registered capital of HWPX would be increased to US$218,570,000 and US$76,500,000 in stages. All contribution(s) to the registered capital of, and any shareholders' loans to, HWPX would be made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in HWPX. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of that expression under the Listing Rules. The establishment of HWPX as the joint venture vehicle for the purpose of effecting the acquisition of the land use right in respect of the Xi An Land pursuant to the Xi An Contract and its development constituted a connected transaction for the Company under the Listing Rules.

On 22 December 2004, New China Sheen Limited ("NCSL"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into a land use right transfer contract (the "Shenzhen Contract") with Shenzhen Municipal Land Resources and Real Estate Administration Bureau for the acquisition by NCSL of land use right in respect of a piece of land with an aggregate area of approximately 223,696.30 square metres, located at Lot No. G05426-0033, Fenghuang Road Northeast, Pinghu Town, Longgang District, Shenzhen, the PRC (the "Shenzhen Land") for a consideration of RMB495,000,000 subject to the terms and conditions set out therein. NCSL was successful in the bid of the Shenzhen Land for development into residential and commercial properties. A new joint venture to be held 50/50 by the Company and Cheung Kong through NCSL and to be named as Shenzhen Hutchison Whampoa Longgang Properties Limited ("SHWL") will be established to own and develop the Shenzhen Land. To fund the payment of land cost, construction costs and other project costs for the development of the Shenzhen Land, the total investment and registered capital of SHWL will be RMB695,000,000 and RMB232,000,000 respectively. All contribution(s) to the registered capital of, and any shareholders' loans to, SHWL would be made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in SHWL. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of that expression under the Listing Rules. The establishment of the joint venture arrangements for the purpose of effecting the acquisition of the land use right in respect of the Shenzhen Land pursuant to the Shenzhen Contract and its development constituted a connected transaction for the Company under the Listing Rules.

On 4 February 2005, Eraelite Limited, an indirect wholly owned subsidiary of the Company, transferred five shares of US$1 each in the share capital of Gislingham Limited ("GL"), an indirect wholly owned subsidiary of the Company prior to such transfer, to Chinex Limited, an indirect wholly owned subsidiary of Cheung Kong (the "Transfer") and accordingly GL became a joint venture company owned as to 50% by each of the Company and Cheung Kong. Following the successful bid for 50% equity interests in Shanghai Qi-long Property

Company Limited ("SQPC"), GL completed the acquisition of the entire equity interests in, and the shareholders' loans to, SQPC from vendors who were parties independent of the Company and Cheung Kong for an aggregate consideration of RMB262,280,000 which has been paid by instalments by GL. SQPC entered into a land use right transfer contract dated 20 October 2004 (the "Maqiao Contract 1") with the Shanghai Municipal Minhang District Real Estate and Land Administration Bureau ("SMMD") for the acquisition of the land use right in respect of Lot No. 86A, Maqiao Town, Minhang District, Shanghai, the PRC (the "Lot No. 86A") with an area of approximately 195 mu (or approximately 130,000 square metres) and is planning to enter into another land use right transfer contract (the "Maqiao Contract 2", together with Maqiao Contract 1 as the "Maqiao Contracts") with SMMD for the acquisition of the land use right in respect of Lot No. 86B, Maqiao Town, Minhang District, Shanghai, the PRC (the "Lot No. 86B", together with the Lot No. 86A as the "Maqiao Land") with an area of approximately 195.28 mu (or approximately 130,187 square metres). To fund the payment of land cost, construction costs and other project costs for the development of the Maqiao Land, the total investment and registered capital of SQPC will have a total investment of US$82,800,000 and increase its registered capital from RMB20,000,000 to US$27,600,000. The acquisition cost for the acquisition of the equity interest in, and the retirement of the existing shareholders' loans to, SQPC and any contribution to the registered capital of, and shareholders' loans to, SQPC are expected to be made equally by indirect subsidiaries of the Company and Cheung Kong in proportion to their respective equity interests in GL. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of that expression under the Listing Rules. The establishment of the joint venture arrangements for the purpose of effecting the acquisition of the land use right in respect of the Maqiao Land pursuant to the Maqiao Contracts and its development constituted a connected transaction for the Company under the Listing Rules.

On 18 March 2005, (i) Clevinger International Limited ("Clevinger"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, as purchaser; (ii) Newmarket Holdings Limited ("NHL") as vendor; (iii) Cheung Kong and HIL, as the purchaser's guarantors; and (iv) CITIC Pacific Limited ("CITIC") as the vendor's guarantor entered into an agreement (the "NHL S&P Agreement") pursuant to which NHL has agreed to sell to Clevinger the entire issued share capital of Harvest Country Limited ("HCL"), and NHL and CITIC have agreed to assign and transfer to Clevinger all their rights, title and interests in the aggregate sum to be owing by HCL to NHL and CITIC at completion of the NHL S&P Agreement at the consideration of HK$880,000,000, subject to adjustment. HCL is the holding company of Golden Flag Investment Company Limited which is the registered owner of, inter alia, various pieces of land in Hung Shui Kiu, Yuen Long, New Territories (to be surrendered to and to be granted by the Government of the Hong Kong Special Administrative Region as LOT NO. 2064 IN DEMARCATION DISTRICT NO. 121) with an area of approximately 16,292 square metres. The obligations of Clevinger under the NHL S&P Agreement including the payment of the consideration are guaranteed by HIL and Cheung Kong on a 50:50 several basis. The deposit paid was funded from HIL's and Cheung Kong's internal resources on a pro-rata basis in proportion to their 50:50 interest in Clevinger. It is expected that the balance of the consideration payable by Clevinger will be funded by HIL and Cheung Kong on a similar manner. Cheung Kong is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of that expression under the Listing Rules. The financial assistance provided by HIL to Clevinger by way of the provision of the 50% several guarantee and the contribution to the consideration payable by Clevinger under the NHL S&P Agreement on an unsecured basis and on normal commercial terms in proportion to its 50% interests in Clevinger constituted a connected transaction for the Company under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares/underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-shing	(i) Founder of discretionary trusts (ii) Interest of controlled corporations	(i) Other interest (ii) Corporate interest	2,141,698,773 (1) 41,851,000 (2)	– –	2,183,549,773	51.2165%
Li Tzar Kuoi, Victor	(i) Beneficiary of trusts (ii) Interest of controlled corporations	(i) Other interest (ii) Corporate interest	2,141,698,773 (1) 1,086,770 (3)	– –	2,142,785,543	50.2604%
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	2,510,875 (4)	757,939 (5)	3,268,814	0.0767%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	–	150,000	0.0035%
Frank John Sixt	Beneficial owner	Personal interest	50,000	–	50,000	0.0012%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	–	50,000	0.0012%
George Colin Magnus	(i) Founder and beneficiary of a discretionary trust (ii) Beneficial owner (iii) Interest of spouse	(i) Other interest (ii) Personal interest (iii) Family interest	950,100 (6) 40,000 9,900	– – –	1,000,000	0.0235%
Kam Hing Lam	Beneficial owner	Personal interest	60,000	–	60,000	0.0014%
Michael David Kadoorie	Beneficiary of trust(s)	Other interest	15,984,095 (7)	–	15,984,095	0.3749%
Holger Kluge	Beneficial owner	Personal interest	40,000	–	40,000	0.0009%
Simon Murray	Founder of a discretionary trust	Other interest	87,000 (8)	–	87,000	0.0020%
William Shurniak	Beneficial owner	Personal interest	165,000	–	165,000	0.0039%
Peter Alan Lee Vine	Beneficial owner	Personal interest	33,000	–	33,000	0.0008%

Notes:

(1) The two references to 2,141,698,773 shares in the Company relate to the same block of shares in the Company comprising:

(a) 2,130,202,773 shares held by certain subsidiaries of Cheung Kong. Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of Cheung Kong by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of Cheung Kong independently without any reference to Unity Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies and the said shares of the Company held by the subsidiaries of Cheung Kong under the SFO as directors of Cheung Kong. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of Cheung Kong and has no duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

(b) 11,496,000 shares of the Company held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3").

Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of the Company held by TUT3 as trustee of UT3 under the SFO.

(2) Such shares were held by certain companies of which Mr Li Ka-shing is interested in the entire issued share capital.

(3) Such shares were held by certain companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

(4) Such shares were held by a company which is equally owned by Mr Fok Kin-ning, Canning and his spouse.

(5) Such underlying shares were the maximum number of shares that might be interested in under the US$5,000,000 notes due 2005 issued by BNP Paribas and were held by a company which is equally owned by Mr Fok Kin-ning, Canning and his spouse.

(6) Such shares were indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and a discretionary beneficiary.

(7) The Hon Michael David Kadoorie is deemed to be interested by virtue of the SFO in 15,984,095 shares in the Company.

(8) Such shares were held by an offshore discretionary family trust of which Mr Simon Murray is the founder.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2004, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong or the Company as described in Note (1) above:

(i) (a) 1,912,109,945 shares, representing approximately 84.824% of the then issued share capital, in Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") of which 1,906,681,945 shares were held by a wholly owned subsidiary of the Company and 5,428,000 shares were held by TUT1 as trustee of UT1; and

(b) 2 underlying shares in Cheung Kong Infrastructure by virtue of the HK$300,000,000 capital guaranteed notes due 2009 held by a wholly owned subsidiary of Cheung Kong;

(ii) 3,185,589,325 ordinary shares, representing approximately 70.791% of the then issued share capital, in Hutchison Telecommunications International Limited ("Hutchison Telecommunications International") of which 28,402,698 ordinary shares and 3,157,033,347 ordinary shares were held by certain wholly owned subsidiaries of each of Cheung Kong and the Company respectively and 153,280 ordinary shares were held by TUT3 as trustee of UT3;

(iii) (a) 3,875,632,628 ordinary shares, representing approximately 56.136% of the then issued share capital, in Hutchison Global Communications of which 248,743,835 ordinary shares and 3,626,888,793 ordinary shares were held by a wholly owned subsidiary of Cheung Kong and a 70.156% owned subsidiary of the Company respectively; and

(b) 4,374,999,999 underlying shares in Hutchison Global Communications of which 3,333,333,333 underlying shares and 1,041,666,666 underlying shares were derived from a nominal amount of HK$3,200,000,000 in the 1% unsecured convertible notes due 2009 and the facility convertible notes to be issued pursuant to the terms of an unsecured loan facility of HK$1,000,000,000 respectively held by certain 70.156% owned subsidiaries of the Company;

(iv) 829,599,612 shares, representing approximately 38.871% of the then issued share capital, in Hongkong Electric Holdings Limited ("Hongkong Electric") which shares were held by certain wholly owned subsidiaries of Cheung Kong Infrastructure;

(v) 1,429,024,545 shares, representing approximately 36.736% of the then issued share capital, in TOM Group Limited ("TOM Group") of which 476,341,182 shares and 952,683,363 shares were held by a wholly owned subsidiary of each of Cheung Kong and the Company respectively;

(vi) 146,794,919 common shares, representing approximately 34.643% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") and 41,584 underlying common shares derived from 22,393 unlisted and physically settled transferable warrants in Husky Energy which were held by a wholly owned subsidiary of the Company;

(vii) a nominal amount of US$33,700,000 in the 13% unsecured senior subordinated notes due 2010 (the "Partner Communications Notes") issued by Partner Communications Company Ltd. ("Partner Communications") which notes were held by a wholly owned subsidiary of Cheung Kong; and

(viii) all the shares, underlying shares and debentures of the subsidiary and associated companies of the Company held by the Company and its subsidiary companies.

As Mr Li Ka-shing may be regarded as a founder of DT3 for the purpose of SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of DT3 as disclosed in Note (1) above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in 152,786,548 common shares, representing approximately 36.057% of the then issued share capital, in Husky Energy and 43,281 underlying common shares derived from 23,307 unlisted and physically settled transferable warrants in Husky Energy which were held by a company in respect of which TDT3 as trustee of DT3 is indirectly entitled to substantially all the net assets thereof and of which Mr Li Ka-shing is additionally entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings. In addition, Mr Li Ka-shing had, as at 31 December 2004, corporate interests in (i) 4,600 class C common shares, representing approximately 53.315% of the then issued share capital, in Husky Oil Holdings Limited; (ii) 245,546 ordinary shares, representing approximately 0.006% of the then issued share capital, in Hutchison Telecommunications International; (iii) 286,312,000 ordinary shares, representing approximately 4.147% of the then issued share capital, in Hutchison Global Communications; and (iv) a nominal amount of US$1,500,000 in the Partner Communications Notes, which were held by companies of which Mr Li Ka-shing is interested in the entire issued share capital.

Mr Li Tzar Kuoi, Victor had, as at 31 December 2004, the following interests:

(i) family interests in 151,000 shares, representing approximately 0.007% of the then issued share capital, in Hongkong Electric held by his spouse; and

(ii) corporate interests in (a) 14,489 ordinary shares, representing approximately 0.0003% of the then issued share capital, in Hutchison Telecommunications International; (b) 26,300,000 ordinary shares, representing approximately 0.381% of the then issued share capital, in Hutchison Global Communications; (c) a nominal amount of US$11,000,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited; (d) a nominal amount of US$2,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited; and (e) a nominal amount of US$10,989,000 in the Partner Communications Notes, which were held by companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

Mr Fok Kin-ning, Canning had, as at 31 December 2004, the following interests:

(i) (a) 1,100,000 ordinary shares, representing approximately 0.162% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia") comprising personal and corporate interests in 100,000 ordinary shares and 1,000,000 ordinary shares respectively; and

(b) 1,474,001 underlying shares in Hutchison Telecommunications Australia comprising personal and corporate interests in 134,000 underlying shares and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by Hutchison Telecommunications Australia;

(ii) corporate interests in 250,000 ordinary shares, representing approximately 0.006% of the then issued share capital, in Hutchison Telecommunications International;

(iii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.075% of the then issued share capital, in Hutchison Harbour Ring Limited ("Hutchison Harbour Ring");

(iv) corporate interests in 10,000,000 ordinary shares, representing approximately 0.145% of the then issued share capital, in Hutchison Global Communications;

(v) corporate interests in 300,000 common shares, representing approximately 0.071% of the then issued share capital, in Husky Energy;

(vi) corporate interests in 225,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.122% of the then issued share capital, in Partner Communications; and

(vii) corporate interests in (a) a nominal amount of €20,900,000 in the 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited; (b) a nominal amount of US$6,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited; and (c) a nominal amount of US$4,000,000 in the Partner Communications Notes.

Mr Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally owned by Mr Fok and his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2004, personal interests in 250,000 ordinary shares, representing approximately 0.006% of the then issued share capital, in Hutchison Telecommunications International.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2004, personal interests in 17,000 American Depositary Shares (each representing 15 ordinary shares), representing approximately 0.006% of the then issued share capital, in Hutchison Telecommunications International.

Mr George Colin Magnus had, as at 31 December 2004, the following interests:

(i) personal interests in 25,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.014% of the then issued share capital, in Partner Communications held in his capacity as a beneficial owner; and

(ii) 13,333 ordinary shares, representing approximately 0.0003% of the then issued share capital, in Hutchison Telecommunications International comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse.

Mr Kam Hing Lam in his capacity as a beneficial owner had, as at 31 December 2004, personal interests in 100,000 shares, representing approximately 0.004% of the then issued share capital, in Cheung Kong Infrastructure.

Mr Holger Kluge in his capacity as a beneficial owner had, as at 31 December 2004, personal interests in (i) 200,000 ordinary shares, representing approximately 0.030% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 10,000 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

Mr Peter Alan Lee Vine in his capacity as a beneficial owner had, as at 31 December 2004, personal interests in 80,000 shares, representing approximately 0.004% of the then issued share capital, in Hongkong Electric.

Save as disclosed above, as at 31 December 2004, none of the Directors and chief executives of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

So far as is known to any Directors or chief executives of the Company, as at 31 December 2004, other than the interests and short positions of the Directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	2,130,202,773 (1)	49.97%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	2,130,202,773 (1)	49.97%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	2,130,202,773 (1)	49.97%
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interest of controlled corporations	2,130,202,773 (1)	49.97%
Continental Realty Limited	Beneficial owner	465,265,969 (2)	10.91%

(II) Interests and short positions of other person in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Honourable Holdings Limited	Interest of controlled corporations	322,942,375 (2)	7.57%
Winbo Power Limited	Beneficial owner	236,260,200 (2)	5.54%
Polycourt Limited	Beneficial owner	233,065,641 (2)	5.47%
Well Karin Limited	Beneficial owner	226,969,600 (2)	5.32%

Notes:

(1) The four references to 2,130,202,773 shares in the Company relate to the same block of shares in the Company which represent the total number of shares of the Company held by certain wholly owned subsidiaries of Cheung Kong where Cheung Kong is taken to be interested in such shares under the SFO. In addition, by virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same 2,130,202,773 shares of the Company held by Cheung Kong as described in Note (1)(a) above.

(2) These are wholly owned subsidiaries of Cheung Kong and their interests in the shares of the Company are duplicated in the interests of Cheung Kong.

Saved as disclosed above, as at 31 December 2004, there was no other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES OF SUBSIDIARY COMPANIES

The following subsidiary companies of the Company have adopted their share option schemes. The principal terms of such share option schemes are summarized as follows:

(I) HUTCHISON 3G ITALIA S.P.A. ("H3GI")

The purpose of the employee share option plan of H3GI (the "H3GI Plan") constituted and governed by the rules of such plan as amended from time to time (the "H3GI Rules") is to provide H3GI with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any employee of H3GI and any other company of which H3GI has control from time to time (the "H3GI Participating Company") or any director of any H3GI Participating Company who is required to devote to his duties a substantial part of his working hours (the "H3GI Eligible Employees").

The duly constituted remuneration committee of the board of directors of H3GI (the "H3GI Board") or before the establishment of a remuneration committee, any duly appointed committee of the H3GI Board set up for the purpose of administering the H3GI Plan (the "H3GI Remuneration Committee") may grant a right to acquire the ordinary shares of €5 each in the capital of H3GI (or such other nominal value as may be determined by H3GI in general meeting from time to time) (the "H3GI Shares") granted in accordance with the H3GI Rules of the H3GI Plan (the "H3GI Options") under the H3GI Plan to individuals who are H3GI Eligible Employees, subject always to any limits and restrictions specified in the H3GI Rules.

The form, manner and timing of grant of the H3GI Options, the maximum number of H3GI Shares in respect of each H3GI Option, the price at which each H3GI Share subject to an H3GI Option may be acquired on the exercise of that H3GI Option being subject to adjustment in case of reorganisation of capital structure (the "Subscription Price"), any condition on exercise of each H3GI Option, and all other terms relating or attaching to such grant shall be at the absolute discretion of the H3GI Remuneration Committee subject to compliance with the Listing Rules. The H3GI Remuneration Committee may delegate to the chief executive officers of H3GI the power to grant H3GI Options to any H3GI Eligible Employee which power shall in all cases be subject to the directions of the H3GI Remuneration Committee in relation thereto.

An H3GI Eligible Employee is not required to pay for the grant of an H3GI Option.

The Subscription Price will be, (i) in the case of the one time initial grants of H3GI Options recognising the long service and ongoing contribution of those H3GI Eligible Employees who were under the employment of H3GI and any H3GI Participating Company prior to 31 July 2001 and who at the date on which an H3GI Option is granted under the H3GI Plan (the "H3GI Date of Grant") remain so employed and who the H3GI Remuneration Committee determines should receive such an initial grant, the price as determined by the H3GI Remuneration Committee, and (ii) in any other case the market value of the H3GI Share at the H3GI Date of Grant as determined by the H3GI Remuneration Committee but in any event not being less than the nominal value of such H3GI Share at the H3GI Date of Grant.

In respect of any H3GI Option granted either : (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in the case of a listing on the Growth Enterprise Market of the Stock Exchange or an overseas exchange) up to the date of the listing, and where the Subscription Price notified to an H3GI Option Holder (as referred to below) is less than the issue price of the H3GI Shares on listing, the Subscription Price shall be adjusted to the issue price of the H3GI Shares on listing and no H3GI Option (to which the H3GI Rule applies) shall be exercised at a Subscription Price below such issue price.

No H3GI Option shall be granted under the H3GI Plan which would, at the H3GI Date of Grant, cause the number of H3GI Shares which shall have been or may be issued both (a) in pursuance of the H3GI Options granted under the H3GI Plan and (b) under any other share option scheme involving the grant by H3GI or any of its subsidiaries of options over new H3GI Shares issued by H3GI or any of its subsidiaries established by H3GI or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules (whether or not before 1 September 2001) or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules (the "Other H3GI Plan") (the "H3GI Option Plan Shares") to exceed such number as represents 5% the number of H3GI Shares in the capital of H3GI in issue at the date of approval of the H3GI Plan subject to compliance with Rule 17.03(3) of the Listing Rules. This limit may only be exceeded with approval of the shareholders of both H3GI and the Company in general meetings in accordance with the requirements of the Listing Rules.

No H3GI Option shall be granted under the H3GI Plan which would, at the H3GI Date of Grant, cause the number of H3GI Shares which shall have been or may be issued both (a) in pursuance of the H3GI Options granted under the H3GI Plan and (b) under any Other H3GI Plan to exceed 130,185,000 (on the basis of an assumed total number of shares in issue of 4,500,000,000 at €1 per share representing an aggregate paid up shareholders' equity of €4,500,000,000 immediately prior to a listing application being made to the competent Listing Authority (i.e. any authority acting in its capacity as the competent listing authority in respect of a recognised stock exchange) for admission to trading on a recognised stock exchange the ordinary share capital of H3GI without the prior written consent of the board of Directors of the Company (or such other person(s) as it may designate from time to time) which consent may be withheld at its absolute discretion.

The limit on the number of H3GI Shares which may be issued upon exercise of all outstanding H3GI Options granted and not yet exercised under the H3GI Plan and under any Other H3GI Plan to H3GI Eligible Employees must not exceed 30% of the H3GI Shares in issue from time to time.

The H3GI Remuneration Committee shall not grant any H3GI Options (the "H3GI Relevant Options") to any H3GI Eligible Employee which, if exercised, would result in such H3GI Eligible Employee becoming entitled to subscribe for such number of H3GI Shares as, when aggregated with the total number of H3GI Shares already issued or to be issued to him under all H3GI Options granted to him (including exercised, cancelled and outstanding H3GI Options) in the 12-month period up to and including the H3GI Date of Grant of the H3GI Relevant Options, exceed 1% of the H3GI Shares in issue at such date. Notwithstanding this, the H3GI Remuneration Committee may grant H3GI Options to any H3GI Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of H3GI and the Company in general meetings (with such H3GI Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

The rights of an H3GI Option Holder (i.e. an H3GI Eligible Employee who has accepted an offer from a H3GI Participating Company of an H3GI Option in accordance with the H3GI Plan or where the context requires a person becoming entitled to an H3GI Option in consequence of the death of an H3GI Option Holder) to exercise H3GI Options which have neither lapsed nor been exercised (or part thereof) shall be crystallised as to one third on the date of (and immediately following) a listing, as to a further one third on the date one calendar year after a listing and as to the final one third on the date two calendar years after a listing.

An H3GI Option may be exercised in whole or in part by the H3GI Option Holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the H3GI Option. H3GI Options must be exercised with the period of eight years from the H3GI Date of Grant.

The H3GI Remuneration Committee may at any time (but not earlier than 20 May 2004 nor later than the eighth anniversary thereof) grant options under the H3GI Plan to individuals who are H3GI Eligible Employees.

The Directors of the Company considered that it is not appropriate to value share options granted under the H3GI Plan during the year as a number of factors critical for the valuation of share options granted cannot be determined accurately. In the absence of readily available market value of options under the H3GI Plan, any valuation of the share options would be meaningless and could be misleading to the shareholders.

The following share options were outstanding under the H3GI Plan during the year ended 31 December 2004:

Name or category of participant	Effective date of grant of share options	Number of share options held at 1 January 2004	Effectively granted during 2004	Exercised during 2004	Expired/ cancelled during 2004	Number of share options held at 31 December 2004	Exercise period of share options	Exercise price of share options €	Price of H3GI Share At grant date of share options €	Price of H3GI Share At exercise date of share options €
Employees										
In aggregate	20.5.2004	–	21,648,235	–	–	21,648,235	On the initial public offer of H3GI Shares to 16.7.2009	5.17	5.00	N/A
	20.11.2004	–	2,892,689	–	–	2,892,689	On the initial public offer of H3GI Shares to 16.7.2009	5.17	5.00	N/A
Total:		–	24,540,924	–	–	24,540,924				

As at the date of this report, H3GI had 24,540,924 share options outstanding under the H3GI Plan, which represented approximately 3.41% of H3GI's shares in issue as at that date.

(II) HUTCHISON 3G UK HOLDINGS

The purpose of the employee share option plan of Hutchison 3G UK Holdings (the "H3GUKH Plan") is to provide Hutchison 3G UK Holdings with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible employees of Hutchison 3G UK Holdings (the "H3GUKH Eligible Employees"), being:

(a) any employee of Hutchison 3G UK Holdings and any other company of which Hutchison 3G UK Holdings has control from time to time (collectively the "H3GUKH Participating Company"); or

(b) any director of Hutchison 3G UK Holdings and any H3GUKH Participating Company who is required to devote to his duty substantially the whole of his working hours being not less than 25 hours per week.

The duly constituted remuneration committee of the board of Hutchison 3G UK Holdings or, before the establishment of a remuneration committee, any duly appointed committee of the board of Hutchison 3G UK Holdings set up for the purpose of administering the H3GUKH Plan (the "H3GUKH Remuneration Committee") may grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees, subject always to any limits and restrictions specified in the rules of the H3GUKH Plan as amended from time to time.

The subscription price for H3GUKH Shares (as defined below) will be, (i) in the case of the one time initial grants of options recognising the long service and ongoing contribution of the founders and other H3GUKH Eligible Employees who were under the employment of Hutchison 3G UK Holdings and any H3GUKH Participating Company (the "H3GUKH Group") prior to 31 March 2001 and who remain so employed and who the H3GUKH Remuneration Committee determines should receive such an initial grant (the "Founders"), the price as determined by the H3GUKH Remuneration Committee (not being less than £1.00 per share); and (ii) in any other case the market value of the ordinary shares of £1.00 each in the capital of Hutchison 3G UK Holdings (the "H3GUKH Shares") at the date on which an option is granted under the H3GUKH Plan (the "H3GUKH Grant Date") as determined by the H3GUKH Remuneration Committee but in any event not being less than the nominal value of such H3GUKH Share at the H3GUKH Grant Date.

In respect of any option granted either: (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in case of a listing on the Growth Enterprise Market of the Stock Exchange, the London Stock Exchange or an overseas exchange) up to the date of the listing, and where the subscription price notified to an option holder is less than the issue price of the H3GUKH Shares on listing, the subscription price shall be adjusted to the issue price of the H3GUKH Shares on listing and no option (to which the rules of the H3GUKH Plan applies) shall be exercised at a subscription price below such issue price.

No option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Shares which shall have been or may be issued both (a) in pursuance of options granted under the H3GUKH Plan and (b) under any share option scheme involving the grant by Hutchison 3G UK Holdings or any of its subsidiaries of option over new H3GUKH Shares issued by Hutchison 3G UK Holdings or any of its subsidiaries established by Hutchison 3G UK Holdings or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules (whether or not before 1 September 2001) or any other share option scheme which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules or any other employees share scheme within the meaning of Section 743 of the Companies Act 1985 (the "Other H3GUKH Plan") (the "H3GUKH Option Plan Shares") to exceed such number as represents 5% of the number of H3GUKH Shares in the capital of Hutchison 3G UK Holdings in issue at the date of approval of the H3GUKH Plan. This limit may only be exceeded with the approval of the shareholders of both Hutchison 3G UK Holdings and the Company in general meetings in accordance with the requirements of the Listing Rules.

No option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Option Plan Shares to exceed such number as represents 4% of the number of H3GUKH Shares in issue at the date of approval of the H3GUKH Plan without the prior written consent of the board of directors of the Company (or such other person(s) as it may designate from time to time) which consent may be withheld at its absolute discretion.

The limit on the number of H3GUKH Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the H3GUKH Plan and under any Other H3GUKH Plan to H3GUKH Eligible Employees must not exceed 30% of the H3GUKH Shares in issue from time to time.

The H3GUKH Remuneration Committee shall not grant any options (the "H3GUKH Relevant Options") to any H3GUKH Eligible Employee which, if exercised, would result in such H3GUKH Eligible Employee becoming entitled to subscribe for such number of H3GUKH Shares as, when aggregated with the total number of H3GUKH Shares already issued or to be issued to him under all options granted to him in the 12-month period up to and including the H3GUKH Grant Date of the H3GUKH Relevant Options, exceed 1% of the H3GUKH Shares in issue at such date. Notwithstanding this, the H3GUKH Remuneration Committee may grant options to any H3GUKH Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of Hutchison 3G UK Holdings and the Company in general meeting (with such H3GUKH Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

Subsisting options granted to Founders will vest as to 50% on the date of (and immediately following) a listing, as to a further 25% on the date one calendar year after a Listing and as to the final 25% on the date two calendar years after a listing.

Subsisting options granted to option holders other than Founders will vest as to one third on the date of (and immediately following) a listing, as to a further one third on the date one calendar year after a listing and as to the final one third on the date two calendar years after a listing.

An option may be exercised in whole or in part by the option holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the option. Options must be exercised within the period of ten years from the H3GUKH Grant Date.

The H3GUKH Remuneration Committee may at any time (but not earlier than the 20 May 2004 nor later than the tenth anniversary thereof) grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees.

The Directors of the Company considered that it is not appropriate to value share options granted under the H3GUKH Plan during the year as a number of factors critical for the valuation of share options granted cannot be determined accurately. In the absence of readily available market value of options under the H3GUKH Plan, any valuation of the share options would be meaningless and could be misleading to the shareholders.

The following share options were outstanding under the H3GUKH Plan during the year ended 31 December 2004:

Name or category of participant	Effective date of grant of share options	Number of share options held at 1 January 2004	Effectively granted during 2004	Exercised during 2004	Expired/ cancelled during 2004	Number of share options held at 31 December 2004	Exercise period of share options	Exercise price of share options £	Price of H3GUKH Share At grant date of share options £	Price of H3GUKH Share At exercise date of share options £
Employees in aggregate	20.5.2004	–	18,787,000	–	–	18,787,000	On the initial public offer of H3GUKH Shares to 18.4.2011	1.00	1.00	N/A
	20.5.2004	–	72,971,000	–	(10,561,500)	62,409,500	On the initial public offer of H3GUKH Shares to 18.4.2011	1.35	1.00	N/A
	20.5.2004	–	12,256,750	–	(6,516,500)	5,740,250	On the initial public offer of H3GUKH Shares to 20.8.2011	1.35	1.00	N/A
	20.5.2004	–	3,462,750	–	(27,750)	3,435,000	On the initial public offer of H3GUKH Shares to 18.12.2011	1.35	1.00	N/A
	20.5.2004	–	3,373,250	–	(1,050,000)	2,323,250	On the initial public offer of H3GUKH Shares to 16.5.2012	1.35	1.00	N/A
	20.5.2004	–	5,383,250	–	(2,730,500)	2,652,750	On the initial public offer of H3GUKH Shares to 29.8.2012	1.35	1.00	N/A
	20.5.2004	–	552,500	–	(45,000)	507,500	On the initial public offer of H3GUKH Shares to 28.10.2012	1.35	1.00	N/A
	20.5.2004	–	1,455,000	–	(280,000)	1,175,000	On the initial public offer of H3GUKH Shares to 11.5.2013	1.35	1.00	N/A
	20.5.2004	–	7,852,500	–	–	7,852,500	On the initial public offer of H3GUKH Shares to 14.5.2014	1.35	1.00	N/A
Total:		–	126,094,000	–	(21,211,250)	104,882,750				

As at the date of this report, Hutchison 3G UK Holdings had 109,395,500 share option outstanding under the H3GUKH Plan, which represented approximately 2.46% of H3GUKH Shares in issue at as that date.

(III) HUTCHISON HARBOUR RING

The purpose of the share option scheme of Hutchison Harbour Ring (the "HHR Share Option Scheme") is to enable Hutchison Harbour Ring and its subsidiaries (the "HHR Group") to grant options to selected participants as incentives or rewards for their contribution to the HHR Group, to continue and/or render improved service with the HHR Group, and/or to establish a stronger business relationship between the HHR Group and such participants.

The directors of Hutchison Harbour Ring (the "HHR Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK$0.10 each in the share capital of Hutchison Harbour Ring (the "HHR Shares"):

(a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any executive director but excluding any non-executive director) of Hutchison Harbour Ring (the "HHR Eligible Employee"), any of its subsidiaries or any entity (the "HHR Invested Entity") in which any member of the HHR Group holds any equity interest;

(b) any non-executive directors (including independent non-executive directors) of Hutchison Harbour Ring, any of its subsidiaries or any HHR Invested Entity;

(c) any supplier of goods or services to any member of the HHR Group or any HHR Invested Entity;

(d) any customer of any member of the HHR Group or any HHR Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the HHR Group or any HHR Invested Entity;

(f) any shareholder of any member of the HHR Group or any HHR Invested Entity or any holder of any securities issued by any member of the HHR Group or any HHR Invested Entity;

(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the HHR Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by Hutchison Harbour Ring for the subscription of HHR Shares or other securities of the HHR Group to any person who fall within any of the above classes of participants shall not, by itself, unless the HHR Directors otherwise determine, be construed as a grant of option under the HHR Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the HHR Directors from time to time on the basis of their contribution to the development and growth of the HHR Group. The maximum number of HHR Shares to be allotted and issued is as follows:

(a) The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not in aggregate exceed 30% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue from time to time.

(b) The total number of HHR Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the HHR Share Option Scheme and any other share option scheme of the HHR Group) to be granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not in aggregate exceed 6% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the HHR Share Option Scheme (the "HHR General Scheme Limit"). Based on the number of HHR Shares in issue on 20 May 2004, the HHR General Scheme Limit of the HHR Share Option Scheme is 402,300,015 HHR Shares.

(c) Subject to (a) above and without prejudice to (d) below, Hutchison Harbour Ring may seek approval of its shareholders (the "HHR Shareholders") in general meeting to refresh the HHR General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to HHR Shareholders for that purpose) provided that the total number of HHR Shares which may be allotted and issued upon the exercise of all options to be granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group must not exceed 10% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the HHR Share Option Scheme and any other share option scheme of the HHR Group will not be counted.

(d) Subject to (a) above and without prejudice to (c) above, Hutchison Harbour Ring may seek separate approval of the HHR Shareholders in general meeting to grant options beyond the HHR General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by Hutchison Harbour Ring before such approval is sought.

The total number of HHR Shares issued and which may fall to be issued upon the exercise of the options granted under the HHR Share Option Scheme and any other share option scheme of the HHR Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of Hutchison Harbour Ring for the time being (the "HHR Individual Limit"). Any further grant of options in excess of the HHR Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the HHR Shareholders in a general meeting of Hutchison Harbour Ring with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the HHR Shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the HHR Share Option Scheme at any time during a period to be determined on the date of offer of grant of option and notified by the HHR Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the HHR Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the HHR Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for HHR Shares under the HHR Share Option Scheme shall be a price determined by the HHR Directors but shall not be less than the highest of (i) the closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares on the date of the offer of grant which must be a business day; (ii) the average closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the HHR Shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The HHR Share Option Scheme will remain in force for a period of ten years commencing on the date on which the HHR Share Option Scheme becomes unconditional.

As at the date of this report, no options have been granted under the HHR Share Option Scheme.

(IV) HUTCHISON GLOBAL COMMUNICATIONS

(i) 1995 Option Scheme

Pursuant to an ordinary resolution passed on 22 March 1995, Hutchison Global Communications adopted a share option scheme (the "1995 Option Scheme") for the purpose of providing incentive and rewards to eligible participants. On 2 April 2002, the 1995 Option Scheme was terminated and replaced by a new option scheme adopted by Hutchison Global Communications on 2 April 2002. Upon the termination of the 1995 Option Scheme, no further options would be offered pursuant thereto. However, the 1995 Option Scheme will in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted pursuant thereto (the "Outstanding Options"). The Outstanding Options will continue to be valid and exercisable in accordance with the rules of the 1995 Option Scheme.

Eligible participants of the 1995 Option Scheme included employees or executive directors of Hutchison Global Communications or any of its subsidiary companies (the "HGCH Employees"). The directors of Hutchison Global Communications (the "HGCH Directors") are authorised to invite, at their discretion, eligible participants to take up options to subscribe for shares in Hutchison Global Communications (the "HGCH Shares"). The options are exercisable for a period to be notified by the board of HGCH Directors to each grantee and in any event such period of time should not exceed a period of three years commencing on the expiry of six months after the date on which the option is accepted, provided that no options can be exercised after 21 March 2005. Unless otherwise cancelled or amended, the 1995 Option Scheme was to remain in force for a period of ten years commencing on 22 March 1995.

The maximum number of HGCH Shares in respect of which options were able to be granted (together with HGCH Shares issued pursuant to options exercised and HGCH Shares in respect of which any options remain outstanding) under the 1995 Option Scheme and any other share option schemes of Hutchison Global Communications may not exceed 10% of the issued share capital of Hutchison Global Communications from time to time, excluding for this purpose HGCH Shares issued on exercise of options granted pursuant to the 1995 Option Scheme. At 31 December 2004, there was no outstanding share options under the 1995 Option Scheme. No option was able to be granted to any one HGCH Employee which, if exercised in full, would have resulted in such HGCH Employee becoming entitled to subscribe for such number of HGCH Shares as, when aggregated with the total number of Hutchison Global Communications Shares already issued and remaining issuable to him or her under the 1995 Option Scheme, would exceed 25% of the aggregate number of HGCH Shares for the time being issued and issuable under the 1995 Option Scheme.

The offer of a grant of share options could be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The vesting period of the share options was determinable by the HGCH Directors.

The subscription price for HGCH Shares under the 1995 Option Scheme was determined by the board of HGCH Directors and notified to each grantee and was the higher of: (i) a price being not less than 80% of the average closing price of the HGCH Shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option granted to a grantee; and (ii) the nominal value of a HGCH Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 1995 Option Scheme during the year ended 31 December 2004:

Name or category of participant	Date of grant of share options*	Number of share options at 1 January 2004	Exercised during 2004	Cancelled/ expired during 2004	Number of share options at 31 December 2004	Exercise period of share options	Exercise price of share options** HK$	Price of HGCH Share *** At the date of grant of share options HK$	At the date of exercise of share options HK$
Employees									
in aggregate	12.7.2000	1,000,000	–	(1,000,000)	–	13.1.2001 to 12.1.2004	2.20	2.75	N/A
	12.7.2000	3,620,000	–	(3,620,000)	–	12.1.2001 to 11.1.2004	2.20	2.75	N/A
	2.5.2001	3,970,000	(1,700,000)	(2,270,000)	–	2.11.2001 to 1.11.2004	0.81	1.02	1.05
Total:		8,590,000	(1,700,000)	(6,890,000)	–				

* *The vesting period of the above outstanding share options is from the date of the grant until the commencement of the exercise period and only 50% of the options may be exercised within the first year from the date on which the options are accepted.*

** *The exercise price of the share options is subject to adjustment, in accordance with the provisions of the share option scheme, in the event of an alteration in the capital structure of Hutchison Global Communications.*

*** *The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the shares disclosed as at the date of exercise of share options is the weighted average closing price of the shares immediately before the dates on which the options were exercised.*

The options are exercisable for a period of three years commencing on the expiry of six months after the date on which the option was accepted, provided that no options may be exercised after 21 March 2005.

At the date of this report, there were no share options outstanding under the 1995 Option Scheme.

(ii) Share option schemes of subsidiary companies of Hutchison Global Communications

On 21 May 2001, Hutchison Global Communications approved the adoption by certain subsidiary companies (the "HGCH Subsidiaries") of their respective share option schemes (collectively the "HGCH Subsidiaries' Scheme"). The purpose of the adoption of the HGCH Subsidiaries' Scheme is to provide greater incentive to the HGCH Subsidiaries' employees, thereby improving their productivity and helping to retain key staff. The board of directors of the HGCH Subsidiaries may, at their discretion, offer to grant options to subscribe for shares in the respective HGCH Subsidiaries to employees and any executive directors of the HGCH Subsidiaries. Subject to any earlier termination by the respective HGCH Subsidiaries, the HGCH Subsidiaries' Scheme shall be valid and effective for a period of ten years from 21 May 2001. The issue of the shares in the respective HGCH Subsidiaries pursuant to the exercise of an option by the grantee shall be conditional upon the unconditional completion of the listing of the shares of the respective HGCH Subsidiaries ("HGCH Subsidiary Shares") on any internationally recognised stock exchange. Subject to the above, an option may be exercised in accordance with the terms of the HGCH Subsidiaries' Scheme, but in any event shall not exceed ten years commencing from the date of grant of the option.

The total number of HGCH Subsidiary Shares which can be subscribed through exercising all options granted under the HGCH Subsidiaries' Scheme and any other share option scheme of the respective HGCH Subsidiaries shall in aggregate not exceed 10% of the total number of the HGCH Subsidiary Shares in issue from time to time (excluding any HGCH Subsidiary Shares issued pursuant to the HGCH Subsidiaries' Scheme). No option may be granted to any one person which if exercised in full would result in the total number of the HGCH Subsidiary Shares already issued and issuable to the grantee under all the options previously granted to him, and the proposed option, exceeding 25% of the total number of HGCH Subsidiary Shares subject to the HGCH Subsidiaries' Scheme.

The offer of a grant of share options may be accepted upon payment of a nominal consideration by the grantee of HK$1 for the respective HGCH Subsidiaries incorporated in Hong Kong, or an appropriate amount in the currency of the jurisdiction, if not in Hong Kong, in which the respective HGCH Subsidiaries have their principal place of business.

The minimum exercise price for the options granted under the HGCH Subsidiaries' Scheme shall be the higher of (i) the par value per the respective HGCH Subsidiary Shares; or (ii) 80% of the net asset value of the respective HGCH Subsidiary, as stated in the latest audited financial statements or, if audited financial statements are not available, the latest management accounts of the respective HGCH Subsidiary, divided by the number of the respective HGCH Subsidiary Shares in issue at the date of the latest audited financial statements or latest management accounts (as the case may be).

As at the date of this report, no options have been granted under the HGCH Subsidiaries' Scheme.

(iii) 2002 Option Scheme

Following the amendments made to Chapter 17 of the Listing Rules which came into effect on 1 September 2001, no option may be granted under the 1995 Option Scheme unless such grant is made in compliance with the amended rules. To enable Hutchison Global Communications to continue to reward and provide incentives to, and to strengthen the business relationship of Hutchison Global Communications group (the "HGCH Group") with the prescribed classes of participants who may contribute to the growth and development of the HGCH Group (who now became classes of potential grantees of the share options as expanded by the Listing Rules), a new option scheme (the "2002 Option Scheme") was adopted by Hutchison Global Communications on 2 April 2002 and at the same time, that the 1995 Option Scheme was terminated. The 2002 Option Scheme will remain in force for ten years commencing on 2 April 2002.

Under the 2002 Option Scheme, the eligibility of the participants for the grant of any options shall be determined by the HGCH Directors from time to time on the basis of their contribution to the development and growth of the HGCH Group. The HGCH Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options for HGCH Shares:

(a) any employee/consultant or proposed employee/consultant (including executive director but excluding any non-executive director) of Hutchison Global Communications, any of its subsidiary companies or any entity (the "HGCH Invested Entity") in which a member of the HGCH Group holds any equity interest, including any executive director of Hutchison Global Communications, any of such subsidiary companies or any HGCH Invested Entity;

(b) any non-executive directors (including independent non-executive directors) of Hutchison Global Communications, any of its subsidiary companies or any HGCH Invested Entity;

(c) any supplier of goods or services to any member of the HGCH Group or any HGCH Invested Entity;

(d) any customer of any member of the HGCH Group or any HGCH Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the HGCH Group or any HGCH Invested Entity;

(f) any shareholder of any member of the HGCH Group or any HGCH Invested Entity, or any holder of any securities issued by any member of the HGCH Group or any HGCH Invested Entity;

(g) any other group or class of participants who has contributed or may contribute by way of a joint venture, business alliance or other business arrangement to the development and growth of the HGCH Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

The maximum number of HGCH Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Option Scheme and any other share option scheme must not in aggregate exceed 30% of the relevant class of shares of Hutchison Global Communications (or its subsidiary companies) in issue from time to time.

The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the 2002 Option Scheme and any other share option scheme of the HGCH Group must not in aggregate exceed 10% of the relevant class of shares of Hutchison Global Communications in issue at the date of approval of the limit by Hutchison Global Communications in a general meeting.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the 2002 Option Scheme and any other share option scheme of the HGCH Group, including both exercised or outstanding options, to each participant in any 12-month period, shall not exceed 1% of the issued share capital of HGCH for the time being unless approved by the shareholders of Hutchison Global Communications (the "HGCH Shareholders") in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Hutchison Global Communications, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Hutchison Global Communications. Where any grant of option to a substantial shareholder or an independent non-executive director of Hutchison Global Communications, or any of their associates would result in the HGCH Shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the HGCH Shares in issue; and (b) having an aggregate value (based on the closing price of the HGCH Shares at the date of each grant) in excess of HK$5,000,000, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director of Hutchison Global Communications, or any of their associates must be approved by the HGCH Shareholders in a general meeting.

An option may be accepted by a participant by the payment of a nominal value of HK$1. An option may be exercised in accordance with the terms of the 2002 Option Scheme at any time during a period to be determined on the date of offer of grant of the option and notified by the directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end, in any event, not later than ten years from the date on which the offer of the grant of the options was made, subject to the provisions for early termination thereof. Unless otherwise determined by the HGCH Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the 2002 Option Scheme for the holding of an option before it can be exercised.

The exercise price of the HGCH Shares under the 2002 Option Scheme shall be determined by the HGCH Directors, but shall not be less than the highest of (i) the closing price of the HGCH Shares on the date of the offer of the grant; (ii) the average closing price of the HGCH Shares for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the HGCHShares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The Directors of the Company do not consider it appropriate to disclose the value of the options granted under the 2002 Option Scheme during the year ended 31 December 2004 as any such valuation would be subject to a number of assumptions and variables.

The following share options were outstanding under the 2002 Option Scheme during the year ended 31 December 2004:

									Price of HGCH Share****	
Name or category of participant	Date of grant of share options	Number of share options held at 1 January 2004	Granted during 2004	Exercised during 2004	Expired/ cancelled during 2004	Number of share options held at 31 December 2004	Exercise period of share options	Exercise price of share options***	At grant date of share options	At exercise date of share options
								HK$	HK$	HK$
Employees in aggregate	2.4.2002*	20,000,000	–	–	(20,000,000)	–	3.4.2003 to 2.4.2006	0.886	0.880	N/A
	2.5.2002*	9,850,000	–	–	(3,000,000)	6,850,000	2.5.2003 to 1.5.2006	0.940	0.930	N/A
	2.5.2003*	7,250,000	–	(1,700,000)	(1,750,000)	3,800,000	2.5.2004 to 1.5.2007	0.340	0.315	0.423
	16.5.2003*	4,750,000	–	(582,000)	(3,418,000)	750,000	16.5.2004 to 15.5.2007	0.410	0.410	0.481
	19.8.2004**	–	112,000,000	–	(7,000,000)	105,000,000	19.8.2004 to 18.8.2008	0.480	0.480	N/A
Total:		41,850,000	112,000,000	(2,282,000)	(35,168,000)	116,400,000				

* *The share options are exercisable, subject to the vesting scale, commencing on the date on which the options are accepted to the earlier of the options lapses and the date falling four years from the date of grant of the options. One-third of the options are vested on the first anniversary of the date of grant and one-thirty sixth of which are vested equally on a monthly basis thereafter.*

** *The share options are exercisable subject to the vesting schedule of which approximately one-third of the options will be vested on 19 August 2005 and 19 August 2006 respectively and the balance of the options will be vested on 19 August 2007.*

*** *The exercise price of the share options is subject to adjustment, in accordance with the provisions of the share option scheme, in the event of an alteration in the capital structure of Hutchison Global Communications.*

**** *The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the shares disclosed as at the date of exercise of share options is the weighted average closing price of the shares immediately before the dates on which the options were exercised.*

As at the date of this report, Hutchison Global Communications had 112,900,000 share options outstanding under the 2002 Option Scheme, which represented approximately 1.6% of HGCH Shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of Hutchison Global Communications, result in the issue of 112,900,000 additional ordinary shares of Hutchison Global Communications and additional share capital of HK$11,290,000 and share premium of HK$45,468,500 (before issue expenses).

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2004, the following Directors of the Company had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year required to be disclosed pursuant to Listing Rule 8.10:

Name of Director	Name of company	Nature of interest	Nature of competing business
Li Ka-shing	Cheung Kong	Chairman	– Property and hotels – Finance and investment
Li Tzar Kuoi, Victor	Cheung Kong	Managing Director and Deputy Chairman	– Property and hotels – Finance and investment
	Cheung Kong Infrastructure	Chairman	– Infrastructure, finance and investment
	CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")	Chairman	– Retail and manufacturing (research, manufacture and sale of biotechnological and pharmaceutical products) – Finance and investment
	Hongkong Electric	Executive Director	– Energy
	Husky Energy	Co-Chairman	– Energy
Fok Kin-ning, Canning	Cheung Kong	Non-executive Director	– Property and hotels – Finance and investment
	Cheung Kong Infrastructure	Deputy Chairman	– Infrastructure, finance and investment
	Hanny Holdings Limited	Non-executive Director	– Telecommunications (distribution and marketing of computer products and information technology services and solution) – Finance and investment
	Hongkong Electric	Deputy Chairman	– Energy
	Husky Energy	Co-Chairman	– Energy

Name of Director	Name of company	Nature of interest	Nature of competing business
	Hutchison Global Communications	Chairman	– Telecommunications
	Hutchison Harbour Ring	Chairman	– Property
	Hutchison Telecommunications Australia	Chairman	– Telecommunications
	Panva Gas Holdings Limited	Non-executive Director	– Energy
	Partner Communications	Chairman	– Telecommunications
Chow Woo Mo Fong, Susan	Cheung Kong Infrastructure	Executive Director	– Infrastructure, finance and investment
	Hongkong Electric	Non-executive Director	– Energy
	Hutchison Global Communications	Executive Director	– Telecommunications
	Hutchison Harbour Ring	Executive Director	– Property
	Partner Communications	Director	– Telecommunications
	TOM Group	Non-executive Director	– Telecommunications (systems integration, development of software and computer network systems)
	TOM Online Inc.	Alternate Director	– Telecommunications (wireless value added services, online advertising and commercial enterprise solution)
Frank John Sixt	Cheung Kong	Non-executive Director	– Property and hotels – Finance and investment
	Cheung Kong Infrastructure	Executive Director	– Infrastructure, finance and investment
	Hongkong Electric	Executive Director	– Energy
	Husky Energy	Director	– Energy
	Hutchison Global Communications	Executive Director	– Telecommunications
	Hutchison Telecommunications Australia	Director	– Telecommunications
	Partner Communications	Director	– Telecommunications
	TOM Group	Chairman	– Telecommunications (systems integration, development of software and computer network systems)
	TOM Online Inc.	Chairman	– Telecommunications (wireless value added services, online advertising and commercial enterprise solution)

Name of Director	Name of company	Nature of interest	Nature of competing business
Lai Kai Ming, Dominic	Hutchison Global Communications	Deputy Chairman	– Telecommunications
	Hutchison Harbour Ring	Deputy Chairman	– Property
	Hutchison Telecommunications Australia	Director	– Telecommunications
George Colin Magnus	Cheung Kong	Deputy Chairman	– Property and hotels – Finance and investment
	Cheung Kong Infrastructure	Deputy Chairman	– Infrastructure, finance and investment
	Hongkong Electric	Chairman	– Energy
Kam Hing Lam	Cheung Kong	Deputy Managing Director	– Property and hotels – Finance and investment
	Cheung Kong Infrastructure	Managing Director	– Infrastructure, finance and investment
	CK Life Sciences	President and Chief Executive Officer	– Retail and manufacturing (research, manufacture and sale of biotechnological and pharmaceutical products) – Finance and investment
	Hongkong Electric	Executive Director	– Energy
William Shurniak	Husky Energy	Director and Deputy Chairman	– Energy

As the Board is independent of the boards of the above entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

During the year, Messrs Fok Kin-ning, Canning, Chow Woo Mo Fong, Susan and Frank John Sixt are non-executive directors of Hutchison Telecommunications International (a subsidiary of the Company) which was engaged in telecommunications businesses. The non-competition agreement entered into by the Company and Hutchison Telecommunications International on 24 September 2004 maintained a clear geographical delineation, underpinned by the regulatory regime, of the two groups' respective businesses ensuring there would be no competition between them.

The exclusive territory of our Group was comprised of the member countries of the European Union (prior to its enlargement in 2004), Vatican City, San Marino, the Channel Islands, Monaco, Switzerland, Norway, Greenland, Liechtenstein, Australia, New Zealand, the United States of America, Canada and, unless and until such time as the Hutchison Telecommunications International Group exercises its option to acquire our Group's interest in Hutchison Telecommunications Argentina S.A., Argentina. The exclusive territory of the Hutchison Telecommunications International Group was comprised of all the remaining countries of the world. There is no single country in which both groups have competing operations.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the ordinary shares of the Company. In addition, the Company has not redeemed any of its ordinary shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group turnover.

PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, approximately 48% of the issued share capital of the Company was held by the public.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible will offer themselves for re-appointment.

By order of the board

Edith Shih
Company Secretary

Hong Kong, 31 March 2005

To the Shareholders of Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 116 to 170 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2005

Consolidated Profit and Loss Account

for the year ended 31 December 2004

2004 US$ millions		Note	2004 HK$ millions	As restated (note 1a) 2003 HK$ millions
	Turnover			
17,256	Company and subsidiary companies	2	**134,595**	104,921
5,746	Share of associated companies and jointly controlled entities		**44,820**	40,688
23,002		3	**179,415**	145,609
	Company and subsidiary companies			
17,256	Turnover		**134,595**	104,921
(6,667)	Cost of inventories sold		**(52,006)**	(45,295)
(2,760)	Staff costs		**(21,525)**	(16,856)
(1,080)	Prepaid 3G telecommunications customer acquisition expense	1(a)	**(8,423)**	(917)
(3,880)	Depreciation and amortisation	3	**(30,263)**	(13,166)
(4,959)	Other operating expenses	3(b)	**(38,680)**	(30,595)
672	Change in fair value of investment properties	1(a)	**5,244**	(1,809)
2,459	Profit on disposal of investments and others	3(c)	**19,181**	8,893
1,041		3	**8,123**	5,176
1,132	Share of profits less losses of associated companies		**8,822**	8,796
310	Share of profits less losses of jointly controlled entities		**2,422**	2,627
2,483	**Earnings before interest expense and taxation**[1]	3	**19,367**	16,599
(1,630)	Interest and other finance costs, including share of associated companies and jointly controlled entities	4	**(12,712)**	(9,568)
853	**Profit before taxation**		**6,655**	7,031
(484)	Current taxation charge	6	**(3,776)**	(2,758)
874	Deferred taxation credit	6	**6,818**	5,854
1,243	**Profit after taxation**		**9,697**	10,127
825	Minority interests		**6,431**	1,550
2,068	**Profit attributable to shareholders**		**16,128**	11,677
946	**Dividends**	7	**7,375**	7,375
US48.5cents	**Earnings per share**	8	**HK$3.78**	HK$2.74

[1] *Earnings before interest expense and taxation ("EBIT") is defined as earnings before interest expense and finance costs, taxation and minority interests. Information concerning EBIT has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles in Hong Kong.*

Consolidated Balance Sheet

at 31 December 2004

2004 US$ millions		Note	2004 HK$ millions	As restated (note 1a) 2003 HK$ millions
	ASSETS			
	Non-current assets			
27,043	Fixed assets	9	**210,937**	181,507
13,094	Telecommunications licences	10	**102,138**	97,926
875	Telecommunications 3G customer acquisition costs	11	**6,823**	1,647
1,313	Goodwill	12	**10,241**	8,583
7,094	Associated companies	13	**55,332**	51,036
4,611	Interests in joint ventures	14	**35,963**	37,593
2,485	Deferred tax assets	15	**19,384**	9,775
1,055	Other non-current assets	16	**8,230**	7,682
8,526	Liquid funds and other listed investments	17	**66,503**	63,929
66,096	**Total non-current assets**		**515,551**	459,678
9,461	Cash and cash equivalents	18	**73,798**	111,933
8,319	Other current assets	18	**64,886**	49,924
11,349	Current liabilities	19	**88,526**	90,240
6,431	**Net current assets**		**50,158**	71,617
72,527	**Total assets less current liabilities**		**565,709**	531,295
	Non-current liabilities			
32,664	Long term liabilities	20	**254,779**	230,182
1,524	Deferred tax liabilities	15	**11,893**	10,599
147	Pension obligations	22	**1,143**	960
34,335	**Total non-current liabilities**		**267,815**	241,741
4,751	**Minority interests**	23	**37,053**	45,537
33,441	**Net assets**		**260,841**	244,017
	CAPITAL AND RESERVES			
137	Share capital	24	**1,066**	1,066
33,304	Reserves		**259,775**	242,951
33,441	**Shareholders' funds**		**260,841**	244,017

FOK Kin-ning, Canning
Director

Frank John SIXT
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2004

2004 US$ millions		Note	2004 HK$ millions	2003 HK$ millions
	Operating activities			
7,478	EBITDA[1] before prepaid 3G CAC[2] expense	25 (a)	**58,327**	33,903
(2,152)	Share of EBITDA of associated companies and jointly controlled entities		**(16,784)**	(16,805)
505	Dividends received from associated companies and jointly controlled entities		**3,936**	4,345
343	Distribution from property jointly controlled entities		**2,674**	3,127
87	Decrease in properties under development		**675**	1,727
(2,476)	Profit on disposal of subsidiary and associated companies and jointly controlled entities		**(19,310)**	(1,768)
(1,417)	Interest and other finance costs		**(11,050)**	(7,715)
(135)	Hong Kong profits tax paid		**(1,051)**	(98)
(169)	Overseas profits tax paid		**(1,319)**	(803)
1	Loss on disposal of unlisted investments		**8**	–
(36)	Loss (profit) on disposal of fixed assets		**(277)**	5
2,029	Funds from operations before prepaid 3G CAC expense		**15,829**	15,918
(1,080)	Prepaid 3G CAC expense		**(8,423)**	(917)
949	**Funds from operations**		**7,406**	15,001
(1,070)	Changes in working capital	25 (b)	**(8,353)**	(1,118)
(121)	**Cash flows from operating activities**		**(947)**	13,883
	Investing activities			
(1,635)	Purchase of fixed assets for established businesses		**(12,754)**	(14,288)
(2,747)	Purchase of fixed assets for 3G businesses		**(21,428)**	(23,422)
(23)	Purchase of telecommunications licences		**(182)**	(126)
(1,641)	Additions to telecommunications postpaid 3G CAC		**(12,804)**	(2,782)
(849)	Purchase of subsidiary companies	25 (c)	**(6,623)**	(265)
(47)	Purchase of and advances to associated companies		**(367)**	(678)
(525)	Purchase of and advances to jointly controlled entities		**(4,093)**	(3,395)
(206)	Additions to unlisted investments		**(1,610)**	(1,353)
106	Repayments from associated companies and non-property jointly controlled entities and other joint ventures		**830**	2,325
156	Proceeds on disposal of fixed assets		**1,216**	539
1,198	Proceeds on disposal of subsidiary companies	25 (d)	**9,348**	4,734
1,873	Proceeds on disposal of associated companies	25 (e)	**14,611**	93
–	Proceeds on disposal of other joint ventures		**–**	61
39	Proceeds on disposal of other unlisted investments		**307**	99
(4,301)	**Subtotal**		**(33,549)**	(38,458)

2004 US$ millions		Note	2004 HK$ millions	2003 HK$ millions
	Liquid funds and other listed investments			
1,978	Disposals of liquid funds and other listed investments		**15,430**	48,403
(919)	Additions to liquid funds and other listed investments		**(7,166)**	(27,016)
1,059	Net transfer from liquid funds and other listed investments		**8,264**	21,387
(3,242)	**Cash flows from investing activities**		**(25,285)**	(17,071)
	Financing activities			
(247)	Net cash flows from financing activities	25 (f)	**(1,930)**	82,720
(333)	Dividends paid to minority shareholders		**(2,598)**	(3,076)
(946)	Dividends paid to shareholders		**(7,375)**	(7,375)
(1,526)	**Cash flows from financing activities**		**(11,903)**	72,269
(4,889)	Increase (decrease) in cash and cash equivalents		**(38,135)**	69,081
14,350	Cash and cash equivalents at 1 January		**111,933**	42,852
9,461	**Cash and cash equivalents at 31 December**		**73,798**	111,933
	Analysis of cash, liquid funds and other listed investments			
9,461	Cash and cash equivalents, as above		**73,798**	111,933
5,942	Managed funds, outside Hong Kong		**46,349**	45,812
1,349	Held-to-maturity listed debt securities and long term deposits		**10,524**	20,336
642	Listed equity securities, Hong Kong		**5,010**	4,410
593	Listed equity securities, outside Hong Kong		**4,620**	3,051
8,526	Liquid funds and other listed investments	17	**66,503**	73,609
17,987	**Total cash, liquid funds and other listed investments**		**140,301**	185,542
36,281	Bank and other interest bearing borrowings		**282,993**	273,144
18,294	**Net debt**		**142,692**	87,602

[1] *EBITDA is defined as earnings before interest expense and finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments and other earnings of a cash nature but excludes changes in the fair value of investment properties. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles in Hong Kong.*

[2] *CAC represents customer acquisition costs.*

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital HK$ millions	Share premium HK$ millions	Revaluation reserves HK$ millions	Exchange reserve HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2004, as previously reported	**1,066**	**28,359**	**9,083**	**13,552**	**195,455**	**247,515**
Prior year adjustments (note 1a)	–	–	(10,006)	18	6,490	(3,498)
At 1 January 2004, as restated	1,066	28,359	(923)	13,570	201,945	244,017
Company and subsidiary companies' profit for the year	–	–	–	–	13,059	13,059
Share of reserves of associated companies	–	–	(2)	464	3,209	3,671
Share of reserves of jointly controlled entities	–	–	–	(183)	(140)	(323)
Revaluation surplus on other listed equity investments	–	–	661	–	–	661
Valuation released upon disposal of other listed equity investments	–	–	(587)	–	–	(587)
Deferred tax effect on revaluation of other listed equity investments	–	–	(33)	–	–	(33)
Exchange translation differences	–	–	–	7,751	–	7,751
2003 final dividend paid	–	–	–	–	(5,201)	(5,201)
2004 interim dividend paid	–	–	–	–	(2,174)	(2,174)
At 31 December 2004	**1,066**	**28,359**	**(884)**	**21,602**	**210,698**	**260,841**

	Share capital HK$ millions	Share premium HK$ millions	Revaluation reserves HK$ millions	Exchange reserve HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2003, as previously reported	1,066	28,359	4,590	997	187,133	222,145
Prior year adjustments (note 1a)	–	–	(11,788)	18	9,191	(2,579)
At 1 January 2003, as restated	1,066	28,359	(7,198)	1,015	196,324	219,566
Company and subsidiary companies' profit for the year	–	–	–	–	9,836	9,836
Share of reserves of associated companies	–	–	28	638	2,032	2,698
Share of reserves of jointly controlled entities	–	–	–	59	(191)	(132)
Net goodwill released upon disposal of subsidiary and associated companies and jointly controlled entities	–	–	–	–	1,319	1,319
Revaluation surplus on other listed equity investments	–	–	3,060	–	–	3,060
Valuation released upon disposal of Vodafone and Deutsche Telekom shares	–	–	3,105	–	–	3,105
Valuation released upon disposal of other listed equity investments	–	–	101	–	–	101
Deferred tax effect on revaluation of other listed equity investments	–	–	(19)	–	–	(19)
Exchange translation differences	–	–	–	11,858	–	11,858
2002 final dividend paid	–	–	–	–	(5,201)	(5,201)
2003 interim dividend paid	–	–	–	–	(2,174)	(2,174)
At 31 December 2003	1,066	28,359	(923)	13,570	201,945	244,017

As at 31 December 2003, as restated, and 2004, revaluation reserves represented revaluation surplus (deficit) arising from revaluation to market value of other listed equity investments. Capital redemption reserve of HK$404 million was included in share premium in all reporting years.

The retained profits of the Group include HK$15,107 million (2003 – HK$12,643 million) retained by associated companies and accumulated losses of HK$1,530 million (2003 – HK$2,005 million) retained by jointly controlled entities.

Reserves of the Company available for distribution to shareholders as at 31 December 2004 amounted to HK$36,357 million (2003 – HK$28,121 million).

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS"), also collectively referred to as Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention except that, as set out in notes 1(f) and 1(h) below, listed equity securities and investment properties are stated at fair value.

HKICPA is pursuing its policy objective of full convergence with the standards and interpretations established by the International Accounting Standards Board ("IASB"). To this end, the HKICPA has recently issued over a dozen new and revised HKFRSs, which are effective for the financial year beginning 1 January 2005, with the objective to eliminate, to the greatest extent possible, the differences that currently exist between HKFRSs and International Financial Reporting Standards ("IFRS"). Early adoption of these standards is encouraged. The Group has adopted retrospectively, where required, the current interpretations of four of those standards that are believed to have the most material effect on the Group's accounts and, as a result, the profit attributable to shareholders in 2004 and 2003 have been materially affected and the 2003 profit is required to be restated to be comparable on a consistent basis of accounting. The results of 2003 have been restated to reflect the Group's early adoption, with retrospective effect where applicable, of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets", HKAS 40 "Investment Property" and the adoption of Interpretation 22 "The Appropriate Accounting Policies for Infrastructure Facilities".

In 2004, prepaid 3G customer acquisition costs ("CAC") of HK$8,423 million (2003 – HK$917 million) previously capitalised have been expensed and capitalised postpaid 3G CAC are now amortised over 12 months, previously 36 months, resulting in increased amortisation expense in 2004 of HK$1,472 million (2003 – HK$612 million). In 2004, the increase in valuation of investment properties of HK$5,302 million (2003 – decrease of HK$1,705 million) has been included in the calculation of profit, having previously been credited directly to reserves. At 1 January 2004, goodwill totalling HK$11,787 million deducted from reserves in previous years is not to be recognised in the profit or loss calculation on disposal of the related business and will remain as a reduction of reserves. In 2004, the Group sold 29.84% of Hutchison Telecommunications International and goodwill in reserves related to the disposal of this business of HK$2,011 million was not included in the calculation of the profit. The net effect after taxation and minority interests of the adoption of these standards and their current interpretations, which align HKFRSs with IFRS, increased profit attributable to shareholders for the year ended 31 December 2004 by HK$1,702 million and reduced profit attributable to the shareholders for the year ended 31 December 2003 by HK$2,701 million. The opening shareholders' funds as at 1 January 2004 and 2003 have been reduced by HK$3,498 million and HK$2,579 million respectively.

1 Principal accounting policies (continued)

(a) Basis of preparation (continued)

The effect of these changes on the profit attributable to shareholders, the various balance sheet items and opening shareholders' funds is summarised below:

	HKFRS 3 (note 1m) HK$ millions	HKAS 38 (note 1k) HK$ millions	HKAS 40 (note 1h) HK$ millions	Interpretation 22 (note 1e) HK$ millions	Total 2004 HK$ millions
Increase (decrease) in profit attributable to shareholders	2,757	(5,196)	4,336	(195)	1,702
Increase in goodwill	509	–	–	–	509
Increase in fixed assets	–	–	256	–	256
(Decrease) in telecommunications 3G customer acquisition costs	–	(11,337)	–	–	(11,337)
Increase in deferred tax assets	–	3,109	–	–	3,109
Increase (decrease) in associated companies	177	(87)	–	–	90
Increase (decrease) in interests in joint ventures	13	–	33	(1,797)	(1,751)
Decrease (increase) in deferred taxation liabilities	–	–	(2,784)	314	(2,470)
Decrease (increase) in minority interests	(52)	2,208	30	–	2,186
Increase (decrease) in net assets	647	(6,107)	(2,465)	(1,483)	(9,408)
(Decrease) in shareholders' funds at 1 January 2004	–	(911)	(1,299)	(1,288)	(3,498)

	HKFRS 3 HK$ millions	HKAS 38 HK$ millions	HKAS 40 HK$ millions	Interpretation 22 HK$ millions	Total 2003 HK$ millions
(Decrease) in profit attributable to shareholders	–	(911)	(1,556)	(234)	(2,701)
Increase in fixed assets	–	–	408	–	408
(Decrease) in telecommunications 3G customer acquisition costs	–	(1,433)	–	–	(1,433)
Increase in deferred tax assets	–	437	–	–	437
(Decrease) in associated companies	–	(96)	–	–	(96)
Increase (decrease) in interests in joint ventures	–	–	104	(1,562)	(1,458)
Decrease (increase) in deferred taxation liabilities	–	–	(1,841)	274	(1,567)
Decrease in minority interests	–	181	30	–	211
(Decrease) in net assets	–	(911)	(1,299)	(1,288)	(3,498)
(Decrease) in shareholders' funds at 1 January 2003	–	–	(1,525)	(1,054)	(2,579)

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been early adopted by the Group. Whilst the Group believes the standards with the most material effect on the Group's accounts are those early adopted for 2004, the Group is not yet in a position to state whether the remaining new HKFRSs would have significant impact on its results of operations and net financial position.

1 Principal accounting policies (continued)

(b) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2004 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 1(d) and 1(e) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2004 or up to the dates of disposal as the case may be.

(c) Subsidiary companies

A company is a subsidiary company if more than 50% of the equity voting rights or issued share capital is held long term. In the consolidated accounts, subsidiary companies are accounted for as described in note 1(b) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(d) Associated companies

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

(e) Joint ventures

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

A joint venture is classified as other joint venture if it is held as a long term investment and is not an associated company nor a jointly controlled entity. Other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for impairment in value. Cost includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income is recognised on the accrual basis throughout the joint venture period.

Joint ventures include toll roads and infrastructure facilities. The depreciation of the toll roads and infrastructure facilities was previously provided for on the basis of a sinking fund or usage method over respective contract periods. Upon the adoption of the new Interpretation 22 on "The Appropriate Accounting Policies for Infrastructure Facilities", depreciation is provided for on a straight line basis over the contract periods of respective projects. It represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(f) Liquid funds and other listed investments

Liquid funds and other listed investments are investments in cash and cash equivalents, listed held-to-maturity debt securities and listed equity securities. Listed held-to-maturity debt securities are carried at cost less provision for impairment in value. Listed equity securities ("equity securities") represent listed investments in companies which are not subsidiary companies nor associated companies nor joint ventures and are carried at fair value. Changes in the fair value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. Upon disposal of equity securities, the relevant revaluation surplus or deficit is dealt with in the profit and loss account. Interest income from these investments are recognised on the accrual basis. Dividends from these investments are recognised when the right to receive payment is established.

1 Principal accounting policies (continued)

(g) Fixed assets

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 – 25%
Plant, machinery and equipment	$3^1/_3$ – $33^1/_3$%
Container terminal equipment	5 – 20%
Telecommunications equipment	2.8 – 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held for their investment potential. Such properties are carried in the balance sheet at their fair value based on existing use as determined by an annual professional valuation.

In previous years, the change in the fair value of investment properties were dealt with as movements in the investment properties revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Upon the adoption of HKAS 40, changes in fair values of investment properties which were previously taken directly to investment properties revaluation reserves are recorded in the consolidated profit and loss account. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(i) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Leases payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on accrual basis.

(j) Telecommunications licences

Telecommunications spectrum licences acquired are stated at cost for the period from acquisition to the dates of first commercial usage of the related spectrum. Thereafter licences are stated net of accumulated amortisation and amortised on a straight line basis over the remaining licence periods.

1 Principal accounting policies (continued)

(k) Telecommunications 3G customer acquisition costs

Costs to acquire 3G mobile telecommunications customers pursuant to a contract with early termination penalties ("Postpaid 3G CAC") are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12 months. In the event that a customer churns off the network within the contractual control period, any unamortised 3G customer acquisition costs are written off in the period in which the customer churns.

Costs to acquire prepaid 3G mobile telecommunications customers ("Prepaid 3G CAC") are expensed in the period incurred.

In previous years, costs to acquire postpaid and prepaid 3G mobile telecommunications customers were capitalised and amortised over the estimated customer relationship period of 36 months. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(l) Other non-current assets

Other unlisted investments are investments in unlisted held-to-maturity debt securities and unlisted equity securities and advances. Unlisted equity securities represent unlisted investments in companies which are not subsidiary companies nor associated companies nor joint ventures. Other unlisted investments are carried at cost less provision for impairment in value.

(m) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

In accordance with HKFRS 3, goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the consolidated profit and loss account.

Amortisation of goodwill, which was in previous years amortised over its estimated useful life, ceased on 31 December 2003, and the related accumulated amortisation was eliminated against the cost of goodwill at 1 January 2004. Goodwill previously eliminated directly against reserves, totalling HK$11.8 billion at 1 January 2004, is not reinstated on the balance sheet.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

The financial impact of this change in accounting policy is summarised in note 1(a).

(n) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

1 Principal accounting policies (continued)

(o) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development, telecommunications spectrum licences and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

(p) Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

(q) Stocks

Stocks consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other stocks are stated at the lower of cost and net realisable value.

(r) Deferred taxation

Deferred taxation is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(s) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension costs for defined benefit plans are using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of the greater of the present value of plan obligations and the fair value of plan assets at that date are recognised over the average remaining service lives of employees.

The Group's contributions to the defined contribution plans are charged to the profit and loss account in the year incurred.

Pension costs are charged against the profit and loss account within staff costs.

The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

1 Principal accounting policies (continued)

(t) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in reserves.

(u) Derivative financial instruments

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes.

The Group enters into forward exchange contracts when it is deemed appropriate as hedges against its foreign currency exposures on foreign currency denominated assets and liabilities. Foreign currency swap agreements are used to manage exchange rate exposures mainly relating to certain debt instruments denominated in foreign currency. Foreign currency denominated borrowings are translated at the contracted swap rates where the Group has entered into currency swap arrangements.

The Group also enters into interest rate swaps to manage the fixed and floating interest rate mix of the Group's total debt portfolio and reduce the impact of fluctuating interest rates on its short-term and long-term debts. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the hedged debts is adjusted to include the payments made or received under the interest rate swaps.

(v) Dividends

Dividend distribution is recorded as a liability on the date of declaration.

2 Turnover

Turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. An analysis of turnover of the Company and subsidiary companies is as follows:

	2004 HK$ millions	2003 HK$ millions
Sales of goods	**70,029**	62,510
Rendering of services	**58,975**	37,473
Interest	**5,302**	4,632
Dividends	**289**	306
	134,595	104,921

3 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Property and hotels is HK$330 million (2003 – HK$343 million), Retail and manufacturing is HK$188 million (2003 – HK$76 million) and Hutchison Telecommunications International is HK$71 million (2003 – HK$93 million).

The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items.

Telecommunications – **3** Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland, and the 2G and 3G operations in Australia.

Business segment

	Turnover from external customers					
	Company and Subsidiaries HK$ millions	**Associates and JCE** HK$ millions	**2004 Total** HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2003 Total HK$ millions
Established businesses						
Ports and related services	**23,847**	**3,133**	**26,980**	20,282	2,847	23,129
Property and hotels	**4,909**	**4,208**	**9,117**	5,637	5,587	11,224
Retail and manufacturing	**68,024**	**6,421**	**74,445**	59,156	4,789	63,945
Cheung Kong Infrastructure	**2,683**	**9,727**	**12,410**	2,647	8,920	11,567
Husky Energy	**–**	**17,524**	**17,524**	–	14,886	14,886
Finance and investments	**4,457**	**334**	**4,791**	3,884	381	4,265
Hutchison Telecommunications International	**14,933**	**3,473**	**18,406**	10,156	3,278	13,434
Subtotal – established businesses	**118,853**	**44,820**	**163,673**	101,762	40,688	142,450
Telecommunications – 3 Group	**15,742**	**–**	**15,742**	3,159	–	3,159
	134,595	**44,820**	**179,415**	104,921	40,688	145,609

3 Segment information (continued)

Business segment (continued)

	EBIT (LBIT)[a]					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2004 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2003 Total HK$ millions
Established businesses						
Ports and related services	**7,597**	**1,270**	**8,867**	6,585	1,012	7,597
Property and hotels	**2,336**	**789**	**3,125**	1,973	1,148	3,121
Retail and manufacturing	**2,850**	**804**	**3,654**	1,758	573	2,331
Cheung Kong Infrastructure	**758**	**4,479**	**5,237**	1,031	4,290	5,321
Husky Energy	**–**	**2,793**	**2,793**	–	3,462	3,462
Finance and investments	**8,476**	**205**	**8,681**	5,977	262	6,239
Hutchison Telecommunications International	**(823)**	**846**	**23**	453	572	1,025
	21,194	**11,186**	**32,380**	17,777	11,319	29,096
Change in fair value of investment properties	**5,244**	**58**	**5,302**	(1,809)	104	(1,705)
Subtotal – established businesses before profit on disposal of investments and others	**26,438**	**11,244**	**37,682**	15,968	11,423	27,391
Telecommunications – 3 Group[b]						
LBIT before depreciation, amortisation and prepaid 3G CAC expense	**(7,291)**	**–**	**(7,291)**	(11,571)	–	(11,571)
Prepaid 3G CAC expense	**(8,423)**	**–**	**(8,423)**	(917)	–	(917)
LBIT before depreciation and amortisation and after prepaid 3G CAC expense	**(15,714)**	**–**	**(15,714)**	(12,488)	–	(12,488)
Depreciation	**(8,447)**	**–**	**(8,447)**	(4,015)	–	(4,015)
Amortisation of licence fees	**(5,669)**	**–**	**(5,669)**	(2,185)	–	(2,185)
Amortisation of postpaid 3G CAC	**(7,666)**	**–**	**(7,666)**	(997)	–	(997)
Subtotal – **3** Group before profit on disposal of investments and others	**(37,496)**	**–**	**(37,496)**	(19,685)	–	(19,685)
Profit on disposal of investments and others [c]	**19,181**	**–**	**19,181**	8,893	–	8,893
	8,123	**11,244**	**19,367**	5,176	11,423	16,599

(a) EBIT (LBIT) is defined as earnings (losses) before interest expense and finance costs, taxation and minority interests.

(b) Included in LBIT of Telecommunications – **3** Group for the year are contributions from key suppliers totalling HK$3,381 million (2003 – nil) which resulted from discussions with some of our key 3G suppliers regarding the adverse effects of delays and the small beginning of the year customer base on revenues and costs.

(c) Profit on disposal of investments and others in 2004 represents a profit of HK$13,759 million on the disposal of Procter & Gamble-Hutchison, a profit of HK$1,300 million from the partial disposal of Hutchison Global Communications and a profit of HK$4,100 million from the partial disposal of Hutchison Telecommunications International Limited, a reversal of provisions previously made against equity securities of HK$813 million and less a write-off of the Group's premium on acquisition of certain infrastructure joint ventures in the Mainland amounting to HK$791 million. The comparative amounts in 2003 represent a profit of HK$1,683 million on the disposal of the European water businesses and a profit of HK$2,627 million from the disposal of equity investments in Vodafone and Deutsche Telekom, a release of provisions amounting to HK$7,810 million less a full write-off of the HK$3,111 million investment in Global Crossing and other net non-recurring charge of HK$116 million.

3 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries	**Associates and JCE**	**2004 Total**	Company and Subsidiaries	Associates and JCE	2003 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
Established businesses						
Ports and related services	**2,595**	**369**	**2,964**	2,326	357	2,683
Property and hotels	**234**	**81**	**315**	227	91	318
Retail and manufacturing	**1,500**	**157**	**1,657**	1,732	236	1,968
Cheung Kong Infrastructure	**234**	**1,845**	**2,079**	236	1,959	2,195
Husky Energy	**–**	**2,810**	**2,810**	–	2,342	2,342
Finance and investments	**72**	**1**	**73**	76	1	77
Hutchison Telecommunications International	**3,846**	**335**	**4,181**	1,372	500	1,872
Subtotal – established businesses	**8,481**	**5,598**	**14,079**	5,969	5,486	11,455
Telecommunications – 3 Group	**21,782**	**–**	**21,782**	7,197	–	7,197
	30,263	**5,598**	**35,861**	13,166	5,486	18,652

	Capital expenditures Company and subsidiaries	
	2004	2003
	HK$ millions	HK$ millions
Established businesses		
Ports and related services	**4,654**	6,559
Property and hotels	**794**	2,175
Retail and manufacturing	**2,331**	1,475
Cheung Kong Infrastructure	**77**	83
Husky Energy	**–**	–
Finance and investments	**22**	41
Hutchison Telecommunications International	**4,876**	3,955
Subtotal – established businesses	**12,754**	14,288
Telecommunications – 3 Group	**21,428**	23,422
	34,182	37,710

3 Segment information (continued)

Business segment (continued)

	Total assets							
	Company and Subsidiaries		**Investments in associated**		Company and Subsidiaries		Investments in associated	
	Segment assets[e]	**Deferred tax assets**	**companies and interests in joint ventures**	**2004 Total assets**	Segment assets[e]	Deferred tax assets	companies and interests in joint ventures	2003 Total assets
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Established businesses								
Ports and related services	**66,666**	**98**	**6,945**	**73,709**	61,794	59	6,508	68,361
Property and hotels	**41,939**	**1**	**20,177**	**62,117**	36,937	1	19,502	56,440
Retail and manufacturing	**32,796**	**319**	**2,349**	**35,464**	28,692	416	2,579	31,687
Cheung Kong Infrastructure	**16,787**	**5**	**40,782**	**57,574**	15,014	1	40,054	55,069
Husky Energy	**–**	**–**	**17,677**	**17,677**	–	–	15,000	15,000
Finance and investments	**134,175**	**1**	**1,090**	**135,266**	179,922	2	945	180,869
Hutchison Telecommunications International	**31,834**	**774**	**2,275**	**34,883**	22,105	715	4,041	26,861
Subtotal – established businesses	**324,197**	**1,198**	**91,295**	**416,690**	344,464	1,194	88,629	434,287
Telecommunications – 3 Group [d]	**219,359**	**18,186**	**–**	**237,545**	178,667	8,581	–	187,248
	543,556	**19,384**	**91,295**	**654,235**	523,131	9,775	88,629	621,535

	Goodwill	
	2004	2003
	HK$ millions	HK$ millions
Established businesses		
Ports and related services	**276**	263
Retail and manufacturing	**8,265**	7,519
Cheung Kong Infrastructure	**257**	–
Hutchison Telecommunications International	**1,174**	801
Subtotal – established businesses	**9,972**	8,583
Telecommunications – 3 Group	**269**	–
	10,241	8,583

3 Segment information (continued)

Business segment (continued)

	Total liabilities					
	Segment liabilities[f]	**Current & Deferred tax liabilities**	**2004 Total liabilities**	Segment liabilities[f]	Current & Deferred tax liabilities	2003 Total liabilities
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
Established businesses						
Ports and related services	**32,005**	**6,214**	**38,219**	28,580	6,549	35,129
Property and hotels	**2,993**	**3,371**	**6,364**	3,293	2,263	5,556
Retail and manufacturing	**35,285**	**768**	**36,053**	26,160	610	26,770
Cheung Kong Infrastructure	**14,424**	**1,947**	**16,371**	13,131	1,955	15,086
Husky Energy	**–**	**879**	**879**	–	754	754
Finance and investments	**71,251**	**410**	**71,661**	160,320	35	160,355
Hutchison Telecommunications International	**24,079**	**165**	**24,244**	12,422	49	12,471
Subtotal – established businesses	**180,037**	**13,754**	**193,791**	243,906	12,215	256,121
Telecommunications – 3 Group	**162,513**	**37**	**162,550**	75,851	9	75,860
	342,550	**13,791**	**356,341**	319,757	12,224	331,981

(d) Included in this amount is an unrealised foreign currency exchange gain arising in 2004 of HK$13,099 million (2003 – HK$17,463 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(e) Segment assets comprise fixed assets, telecommunications licences, telecommunications 3G customer acquisition costs, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.

(f) Segment liabilities comprise bank and other loans, notes and bonds, trade payables, other payables, accruals and pension obligations.

3 Segment information (continued)

Geographical segment

	Turnover from external customers					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2004 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2003 Total HK$ millions
Hong Kong	**36,081**	**10,634**	**46,715**	35,628	9,599	45,227
Mainland China	**10,794**	**6,666**	**17,460**	8,407	7,876	16,283
Asia and Australia	**23,521**	**6,626**	**30,147**	15,944	6,014	21,958
Europe	**57,091**	**3,225**	**60,316**	38,146	2,164	40,310
Americas and others	**7,108**	**17,669**	**24,777**	6,796	15,035	21,831
	134,595	**44,820**	**179,415**	104,921	40,688	145,609

	EBIT (LBIT) [a]					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2004 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2003 Total HK$ millions
Hong Kong	**10,131**	**4,291**	**14,422**	4,209	3,685	7,894
Mainland China	**3,283**	**1,695**	**4,978**	2,256	2,587	4,843
Asia and Australia	**(1,053)**	**2,171**	**1,118**	295	1,365	1,660
Europe	**(27,692)**	**262**	**(27,430)**	(13,917)	268	(13,649)
Americas and others	**4,273**	**2,825**	**7,098**	3,440	3,518	6,958
	(11,058)	**11,244**	**186**	(3,717)	11,423	7,706
Profit on disposal of investments and others [c]	**19,181**	**–**	**19,181**	8,893	–	8,893
	8,123	**11,244**	**19,367**	5,176	11,423	16,599

	Capital expenditures Company and subsidiaries	
	2004 HK$ millions	2003 HK$ millions
Hong Kong	**2,609**	5,493
Mainland China	**2,010**	3,724
Asia and Australia	**6,481**	4,260
Europe	**21,955**	23,085
Americas and others	**1,127**	1,148
	34,182	37,710

3 Segment information (continued)

Geographical segment (continued)

	Total assets							
	Company and Subsidiaries				Company and subsidiaries			
	Segment assets[e]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2004 Total assets	Segment assets[e]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2003 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	**98,413**	**414**	**29,623**	**128,450**	91,851	280	29,074	121,205
Mainland China	**19,001**	**31**	**24,316**	**43,348**	16,282	32	26,000	42,314
Asia and Australia	**52,368**	**439**	**16,514**	**69,321**	34,276	456	15,893	50,625
Europe	**271,493**	**18,466**	**1,911**	**291,870**	225,668	8,971	964	235,603
Americas and others	**102,281**	**34**	**18,931**	**121,246**	155,054	36	16,698	171,788
	543,556	**19,384**	**91,295**	**654,235**	523,131	9,775	88,629	621,535

4 Interest and other finance costs

	2004	2003
	HK$ millions	HK$ millions
Company and subsidiary companies		
Bank loans and overdrafts	**4,542**	4,320
Other loans repayable within 5 years	**1,549**	841
Other loans not wholly repayable within 5 years	**362**	267
Notes and bonds repayable within 5 years	**982**	1,942
Notes and bonds not wholly repayable within 5 years	**4,484**	2,695
	11,919	10,065
Less: interest capitalised	**(869)**	(2,350)
	11,050	7,715
Share of associated companies	**1,411**	1,407
Share of jointly controlled entities	**251**	446
	12,712	9,568

5 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director are as below:

Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	2004 Total emoluments HK$ millions	2003 Total emoluments HK$ millions
LI Ka-shing (1)	0.05	–	–	–	–	0.05	0.05
LI Tzar Kuoi, Victor							
Paid by the Company	0.10	4.44	27.50	–	–	32.04	29.49
Paid by Cheung Kong Infrastructure	0.07	–	6.24	–	–	6.31	5.57
Paid to the Company	(0.07)	–	–	–	–	(0.07)	(0.05)
	0.10	4.44	33.74	–	–	38.28	35.01
FOK Kin-ning, Canning (2)	0.10	9.76	124.85	1.93	–	136.64	125.25
CHOW WOO Mo Fong, Susan (2)	0.10	7.05	28.60	1.40	–	37.15	34.46
Frank John SIXT (2)	0.10	7.05	27.50	0.61	–	35.26	32.67
LAI Kai Ming, Dominic (2)	0.10	4.41	10.00	0.77	–	15.28	13.06
George Colin MAGNUS (2)	0.10	4.03	3.50	–	–	7.63	7.58
KAM Hing Lam							
Paid by the Company	0.10	2.25	6.93	–	–	9.28	8.60
Paid by Cheung Kong Infrastructure	0.07	4.20	2.64	–	–	6.91	6.89
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)	(4.25)
	0.10	2.25	9.57	–	–	11.92	11.24
William SHURNIAK (4) (5)	0.20	–	–	–	–	0.20	0.10
Michael David KADOORIE (3)	0.10	–	–	–	–	0.10	0.05
Holger KLUGE (3) (5)	0.05	–	–	–	–	0.05	–
LI Fook-wo (3)	–	–	–	–	–	–	0.05
Simon MURRAY (3)	0.10	–	–	–	–	0.10	0.05
OR Ching Fai, Raymond (3)	0.10	–	–	–	–	0.10	0.05
Peter Alan Lee VINE (3) (5)	0.20	–	–	–	–	0.20	0.10
WONG Chung Hin (3) (5)	0.20	–	–	–	–	0.20	0.10
Total for the year 2004	1.70	38.99	237.76	4.71	–	283.16	259.82
Total for the year 2003	0.90	39.15	215.06	4.71	–		259.82

(1) No management remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 which he paid to Cheung Kong (Holdings) Limited.

(2) Directors' fees received by these directors from the Company's listed subsidiaries have been paid to the Company and are not included in the amounts above.

(3) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$0.75 million (2003 – HK$0.35 million).

(4) Non-executive director

(5) Members of the Audit Committee

5 Directors' emoluments (continued)

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

In 2004, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$3.95 million; provident fund contribution – HK$0.48 million; and bonus – HK$55.0 million. In 2003, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$7.0 million; provident fund contribution – HK$1.1 million; and bonus – HK$19.0 million.

6 Taxation

	Current taxation HK$ millions	**Deferred taxation HK$ millions**	**2004 Total HK$ millions**	Current taxation HK$ millions	Deferred taxation HK$ millions	2003 Total HK$ millions
Hong Kong						
Subsidiary companies	**747**	**1,053**	**1,800**	602	(35)	567
Associated companies	**432**	**(9)**	**423**	430	241	671
Jointly controlled entities	**68**	**4**	**72**	66	11	77
Outside Hong Kong						
Subsidiary companies	**1,639**	**(8,244)**	**(6,605)**	997	(6,566)	(5,569)
Associated companies	**695**	**284**	**979**	365	268	633
Jointly controlled entities	**195**	**94**	**289**	298	227	525
	3,776	**(6,818)**	**(3,042)**	2,758	(5,854)	(3,096)

Hong Kong profits tax has been provided for at the rate of 17.5% (2003 – 17.5%) on the estimated assessable profits less estimated available tax losses. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, the Group recognised deferred tax assets related to the start up losses of 3G businesses in various countries totalling HK$8,589 million (2003 – HK$6,762 million) (see note 15).

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	Established businesses HK$ millions	**Telecom-munications – 3 Group HK$ millions**	**2004 Total HK$ millions**	2003 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**5,912**	**(12,831)**	**(6,919)**	(3,000)
Tax losses not recognised	**898**	**2,147**	**3,045**	2,077
Tax incentives	**(573)**	**–**	**(573)**	(1,505)
Income not subject to taxation	**(885)**	**(228)**	**(1,113)**	(296)
Expenses not deductible for taxation purposes	**855**	**–**	**855**	644
Recognition of previously unrecognised tax losses	**(123)**	**–**	**(123)**	(799)
Utilisation of previously unrecognised tax losses	**(231)**	**–**	**(231)**	(285)
Under (over) provision in prior years	**(12)**	**186**	**174**	78
Deferred tax assets written off	**438**	**2,137**	**2,575**	84
Others temporary differences	**(232)**	**–**	**(232)**	(441)
Effect of change in tax rate	**(500)**	**–**	**(500)**	347
Total taxation	**5,547**	**(8,589)**	**(3,042)**	(3,096)

7 Dividends

	2004 HK$ millions	2003 HK$ millions
Interim, paid of HK$0.51 per share (2003 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.22 per share (2003 – HK$1.22)	**5,201**	5,201
	7,375	7,375

8 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK$16,128 million (2003 – HK$11,677 million, as restated) and on 4,263,370,780 shares in issue during 2004 (2003 – 4,263,370,780 shares).

9 Fixed assets

	Investment properties HK$ millions	Other properties HK$ millions	Other assets HK$ millions	2004 Total HK$ millions	2003 Total HK$ millions
Cost or valuation					
At 1 January, as previously reported	**27,469**	**62,416**	**133,496**	**223,381**	181,391
Prior year adjustments (note 1a)	**(1,577)**	**2,172**	**–**	**595**	576
At 1 January, as restated	**25,892**	**64,588**	**133,496**	**223,976**	181,967
Exchange translation differences	**–**	**1,060**	**7,802**	**8,862**	9,639
Additions	**53**	**3,017**	**31,112**	**34,182**	37,710
Disposals	**(24)**	**(761)**	**(4,937)**	**(5,722)**	(2,876)
Relating to subsidiaries acquired	**23**	**295**	**7,767**	**8,085**	2,237
Relating to subsidiaries disposed of	**–**	**(24)**	**(87)**	**(111)**	(1,109)
Revaluation	**5,244**	**–**	**–**	**5,244**	(1,809)
Transfer to current assets	**–**	**(645)**	**(1,225)**	**(1,870)**	(1,776)
Transfer between categories	**553**	**646**	**(1,209)**	**(10)**	(7)
At 31 December	**31,741**	**68,176**	**172,719**	**272,636**	223,976
Accumulated depreciation and impairment					
At 1 January, as previously reported	**–**	**9,413**	**32,869**	**42,282**	32,678
Prior year adjustments (note 1a)	**–**	**187**	**–**	**187**	156
At 1 January, as restated	**–**	**9,600**	**32,869**	**42,469**	32,834
Exchange translation differences	**–**	**258**	**2,097**	**2,355**	2,019
Charge for the year	**–**	**1,866**	**14,021**	**15,887**	9,485
Impairment recognised	**–**	**31**	**1,422**	**1,453**	228
Disposals	**–**	**(121)**	**(2,561)**	**(2,682)**	(2,309)
Relating to subsidiaries acquired	**–**	**82**	**2,785**	**2,867**	572
Relating to subsidiaries disposed of	**–**	**(5)**	**(82)**	**(87)**	(385)
Transfer from (to) current assets	**–**	**7**	**(560)**	**(553)**	32
Transfer between categories	**–**	**89**	**(99)**	**(10)**	(7)
At 31 December	**–**	**11,807**	**49,892**	**61,699**	42,469
Net book value at 31 December	**31,741**	**56,369**	**122,827**	**210,937**	181,507
Cost or valuation at 31 December					
At cost	**–**	**68,176**	**172,719**	**240,895**	198,083
At valuation	**31,741**	**–**	**–**	**31,741**	25,893
	31,741	**68,176**	**172,719**	**272,636**	223,976

9 Fixed assets (continued)

Net book value of investment properties and other properties comprises:

	2004 HK$ millions	2003 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**16,285**	15,762
Medium leasehold (less than 50 years but not less than 10 years)	**36,314**	32,019
Short leasehold (less than 10 years)	**16**	22
Outside Hong Kong		
Freehold	**8,834**	8,668
Long leasehold	**2,089**	2,243
Medium leasehold	**22,811**	20,535
Short leasehold	**1,761**	1,631
	88,110	80,880

Investment properties have been revalued as at 31 December 2004 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

Other properties include projects under development in the amount of HK$2,003 million (2003 – HK$2,981 million).

Cost and net book value of fixed assets include HK$95,242 million (2003 – HK$70,920 million) and HK$81,579 million (2003 – HK$65,613 million) respectively relating to 3G businesses. A review was undertaken at 31 December 2004 to assess the carrying value of the Group's 3G telecommunications fixed assets. The results of the review indicated that no impairment charge was necessary. See note 10 below.

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2004 HK$ millions	2003 HK$ millions
Within 1 year	**1,312**	1,308
After 1 year, but within 5 years	**2,156**	2,359
After 5 years	**394**	978

10 Telecommunications licences

	2004 HK$ millions	2003 HK$ millions
Net book value at 1 January	**97,926**	88,519
Exchange translation differences	**8,170**	11,466
Relating to subsidiaries acquired	**1,653**	–
Additions	**182**	126
Amortisation for the year	**(5,793)**	(2,185)
Net book value at 31 December	**102,138**	97,926
Cost	**111,296**	100,124
Accumulated amortisation	**(9,158)**	(2,198)
	102,138	97,926

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. A review was undertaken at 31 December 2004 to assess whether the carrying value of the Group's 3G telecommunications fixed assets and licences was supported by the net present value of future cash flows derived from these assets using cash flow projections for each business. The results of the review undertaken at 31 December 2004 indicated that no impairment charge was necessary.

Cash flow projections for the 3G businesses reflect investments in telecommunications spectrum licences and network infrastructure to provide voice and increasing demand for non-voice value added services such as content, multi-media messaging and video services which are forecast to be significant drivers of future revenue as well as investments in customer acquisitions. Capital expenditure and customer acquisition costs are heaviest in the early years of projections but are forecast to decline progressively as a percentage of revenues. Forecast revenue growth and profitability are driven by a combination of new customers and improving operating margins driven in part by a change in the mix of voice and non-voice revenues and enhanced customer propositions. Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the review were based on country specific pre-tax weighted average cost of capital percentages and ranged from 8% to 12%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

11 Telecommunications 3G customer acquisition costs

	2004 HK$ millions	2003 HK$ millions
Net book value at 1 January, as previously reported	**3,080**	–
Prior year adjustments (note 1a)	**(1,433)**	–
Net book value at 1 January, as restated	**1,647**	–
Exchange translation differences	**955**	(64)
Additions of postpaid 3G CAC	**12,804**	2,782
Amortisation for the year	**(8,583)**	(1,071)
Net book value at 31 December	**6,823**	1,647
Cost	**13,647**	2,743
Accumulated amortisation	**(6,824)**	(1,096)
	6,823	1,647

12 Goodwill

	2004 HK$ millions	2003 HK$ millions
Net book value at 1 January	**8,583**	7,838
Exchange translation differences	**361**	1,023
Additional goodwill recognised	**1,646**	431
Relating to subsidiaries disposed of	**(349)**	(284)
Amortisation for the year	**–**	(425)
Net book value at 31 December	**10,241**	8,583
Cost	**10,241**	9,463
Accumulated amortisation	**–**	(880)
	10,241	8,583

Goodwill is allocated to business segments as presented in note 3.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates, to reflect the risks involved, ranging from 8% to 15%. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

13 Associated companies

	2004 HK$ millions	2003 HK$ millions
Unlisted shares	**1,646**	1,543
Listed shares, Hong Kong	**9,512**	9,683
Listed shares, outside Hong Kong	**10,928**	10,928
Share of undistributed post acquisition reserves	**20,109**	16,146
Investments in associated companies	**42,195**	38,300
Amounts due from associated companies	**13,405**	13,004
Amounts due to associated companies	**(268)**	(268)
	55,332	51,036

The market value of the listed investments at 31 December 2004 was HK$67,676 million (2003 – HK$53,155 million).

Particulars regarding the principal associated companies are set forth on pages 165 to 170.

The assets, liabilities, turnover and results of the Group's principal associated companies, which are listed companies, are as follows:

	TOM Group Limited HK$ millions	**Partner Communications Company Ltd** US$ millions	**Husky Energy Inc** C$ millions	**Hongkong Electric Holdings Limited** HK$ millions
As at 31 December 2004				
Total assets	**7,894**	**1,041**	**13,238**	**58,967**
Current liabilities	**2,255**	**200**	**1,594**	**2,916**
Long term liabilities	**2,447**	**473**	**5,166**	**18,195**
Minority interests	**710**	**–**	**–**	**–**
Total equity	**2,482**	**368**	**6,478**	**37,856**
For the year ended 31 December 2004				
Turnover	**2,595**	**1,193**	**8,440**	**11,407**
Profit attributable to shareholders	**860**	**109**	**1,006**	**6,280**

13 Associated companies (continued)

	TOM Group Limited	Partner Communications Company Ltd	Husky Energy Inc	Hongkong Electric Holdings Limited
	HK$ millions	US$ millions	C$ millions	HK$ millions
As at 31 December 2003				
Total assets	5,257	998	11,946	56,712
Current liabilities	2,206	174	1,456	3,865
Long term liabilities	1,269	579	4,579	17,536
Minority interests	163	–	–	–
Total equity	1,619	245	5,911	35,311
For the year ended 31 December 2003				
Turnover	2,089	1,020	7,658	11,250
Profit attributable to shareholders	13	266	1,334	6,057

The above information is extracted from the respective company's 2004 annual report which is available on their websites.

14 Interests in joint ventures

	2004	2003
	HK$ millions	HK$ millions
Jointly controlled entities		
Unlisted shares	**15,253**	18,424
Share of undistributed post acquisition reserves	**(2,725)**	(5,971)
Investments in jointly controlled entities	**12,528**	12,453
Amounts due from jointly controlled entities	**21,559**	22,286
Amounts due to jointly controlled entities	**(523)**	(490)
	33,564	34,249
Other joint ventures		
Cost of investments	**2,174**	3,107
Amounts due from other joint ventures	**225**	237
	2,399	3,344
	35,963	37,593

Particulars regarding the principal jointly controlled entities are set forth on pages 165 to 170.

15 Deferred taxation

	2004 HK$ millions	2003 HK$ millions
Deferred tax assets	**19,384**	9,775
Deferred tax liabilities	**11,893**	10,599
Net deferred tax assets (liabilities)	**7,491**	(824)

Movements in net deferred tax assets (liabilities) are as follows:

	2004 HK$ millions	2003 HK$ millions
At 1 January, as previously reported	**306**	(6,648)
Prior year adjustments (note 1a)	**(1,130)**	(1,798)
At 1 January, as restated	**(824)**	(8,446)
Exchange translation differences	**795**	1,080
Relating to subsidiaries acquired	**46**	(370)
Relating to subsidiaries disposed of	**–**	7
Transfer to current tax	**321**	344
Net charge to reserves	**(38)**	(40)
Net credit for the year	**7,191**	6,601
At 31 December	**7,491**	(824)

Analysis of net deferred tax assets (liabilities):

	2004 HK$ millions	2003 HK$ millions
Unused tax losses	**20,190**	11,147
Accelerated depreciation allowances	**(2,855)**	(2,704)
Investments in subsidiary and associated companies and joint ventures	**(6,018)**	(6,370)
Revaluation of investment properties and other investments	**(2,903)**	(1,932)
Withholding tax on unremitted earnings	**(938)**	(703)
Other temporary differences	**15**	(262)
	7,491	(824)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts as shown in the consolidated balance sheet are determined after appropriate offset.

At 31 December 2004, the Group has recognised deferred tax assets amounting to HK$19,384 million (2003 – HK$9,775 million) of which HK$18,187 million (2003 – HK$8,581 million) relates to the Group's 3G businesses.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the profit and loss account.

15 Deferred taxation (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. The ultimate realisation of these deferred tax assets depend principally on these businesses achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. Based on the taxable profit and loss projections of these businesses, it is more likely than not that the Group can fully utilise the deferred tax assets recognised within the utilisation periods. It may be necessary for some or all of these deferred tax assets be reduced and charged to the profit and loss account if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used in the taxable profit and loss projections can significantly affect these taxable profit and loss projections.

As shown below, the Group has not recognised deferred tax assets arising from unutilised tax losses amounting to HK$12,455 million at 31 December 2004 (2003 – HK$6,766 million) where it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses.

The potential deferred tax assets (liabilities) which have not been provided for in the accounts are as follows:

	2004 HK$ millions	2003 HK$ millions
Arising from unutilised tax losses	**12,455**	6,766
Arising from accelerated depreciation allowances	**(536)**	(789)
Arising from deductible temporary differences	**15**	(306)

The unrecognised tax losses carried forward amounted to HK$48,276 million at 31 December 2004 (31 December 2003 – HK$29,685 million), out of which HK$25,644 million (31 December 2003 – HK$9,272 million) is attributable to the start up 3G businesses. Of these, HK$36,098 million (2003 – HK$27,745 million) can be carried forward indefinitely. The remaining HK$12,178 million (2003 – HK$1,940 million) expires in the following years:

	2004 HK$ millions	2003 HK$ millions
In the first year	**134**	118
In the second year	**210**	121
In the third year	**564**	133
In the fourth year	**1,385**	158
In the fifth to tenth years inclusive	**9,885**	1,410
	12,178	1,940

16 Other non-current assets

	2004 HK$ millions	2003 HK$ millions
Other unlisted investments		
Held-to-maturity debt securities	**175**	509
Equity securities and advances	**5,814**	4,238
Others	**2,241**	2,935
	8,230	7,682

17 Liquid funds and other listed investments

	2004 HK$ millions	2003 HK$ millions
Managed funds, outside Hong Kong		
Listed held-to-maturity debt securities	**43,615**	42,998
Cash and cash equivalents	**2,734**	2,814
	46,349	45,812
Listed held-to-maturity debt securities	**6,684**	20,020
Long term deposits	**3,840**	316
Equity securities		
Listed equity securities, Hong Kong	**5,010**	4,410
Listed equity securities, outside Hong Kong	**4,620**	3,051
	66,503	73,609
Less: current portion	**–**	(9,680)
	66,503	63,929

The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2004 was HK$61,898 million (2003 – HK$73,390 million).

Listed held-to-maturity debt securities including those held under managed funds as at 31 December 2004 are analysed as follows:

	Percentage
Credit ratings	
Aaa/AAA	**83%**
Aa1/AA+	**4%**
Aa2/AA	**4%**
Aa3/AA-	**9%**
	100%
Sectorial	
US Treasury notes	**45%**
Government issued guaranteed notes	**24%**
Supranational notes	**16%**
Others	**15%**
	100%

18 Current assets

	2004 HK$ millions	2003 HK$ millions
Stocks	**17,970**	11,966
Trade receivables	**19,002**	6,916
Other receivables and prepayments	**27,914**	21,362
Current portion of liquid funds and other listed investments	**–**	9,680
Total other current assets	**64,886**	49,924
Cash and cash equivalents	**73,798**	111,933
	138,684	161,857

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

At 31 December, the ageing analysis of the trade receivables is as follows:

	2004 HK$ millions	2003 HK$ millions
Current	**14,807**	4,081
31–60 days	**2,007**	1,378
61–90 days	**848**	502
Over 90 days	**1,340**	955
	19,002	6,916

The Group's 5 largest customers contributed less than 5% of the Group's turnover.

19 Current liabilities

	2004 HK$ millions	2003 HK$ millions
Bank loans	**21,458**	13,908
Other loans	**1,660**	946
US$2,657 million exchangeable notes, 2% due 2004	**–**	20,723
Other notes and bonds		
HK$ notes, HIBOR + 0.8% due 2004	**–**	1,500
Trade payables	**16,860**	11,978
Other payables and accruals	**46,650**	39,560
Taxation	**1,898**	1,625
	88,526	90,240

The bank loans include project financing for 3G businesses totalling HK$1,192 million (2003 – HK$1,999 million) which are guaranteed by the Group.

The bank and other loans of the Group are secured to the extent of HK$4,118 million (2003 – HK$1,059 million).

19 Current liabilities (continued)

At 31 December, the ageing analysis of the trade payables is as follows:

	2004 HK$ millions	2003 HK$ millions
Current	**11,436**	9,007
31–60 days	**3,299**	1,930
61–90 days	**857**	539
Over 90 days	**1,268**	502
	16,860	11,978

The Group's 5 largest suppliers accounted for approximately 10% of the Group's cost of purchases.

20 Long term liabilities

	2004 HK$ millions	2003 HK$ millions
Bank loans		
Repayable within 5 years	**91,226**	84,280
Not wholly repayable within 5 years	**51,194**	27,056
Less: current portion	**(21,458)**	(13,908)
	120,962	97,428
Other loans		
Repayable within 5 years	**3,281**	7,413
Not wholly repayable within 5 years	**7,275**	4,013
Less: current portion	**(1,660)**	(946)
	8,896	10,480
Other notes and bonds		
US$750 million notes-Series A, 6.95% due 2007	**5,807**	5,807
US$500 million notes-Series B, 7.45% due 2017	**3,871**	3,871
US$500 million notes-Series C, 7.5% due 2027	**3,871**	3,871
US$250 million notes-Series D, 6.988% due 2037	**1,935**	1,935
US$175 million notes, LIBOR + 0.45% due 2008	**1,365**	1,365
US$1,500 million notes, 7% due 2011	**11,700**	11,700
US$3,500 million notes, 6.5% due 2013	**27,300**	27,300
US$1,500 million notes, 5.45% due 2010	**11,700**	11,700
US$2,000 million notes, 6.25% due 2014	**15,600**	15,600
US$1,500 million notes, 7.45% due 2033	**11,700**	11,700
EUR500 million bonds, 5.5% due 2006	**5,225**	4,815
EUR1,000 million notes, 5.875% due 2013	**10,450**	8,997
GBP325 million bonds, 6.75% due 2015	**4,852**	4,449
AUD425 million notes, 6.5% due 2006	**2,533**	2,427
AUD800 million notes, BBSW + 0.65% due 2008	**4,768**	4,568
JPY30,000 million notes, 3.5% due 2032	**2,244**	2,169
	124,921	122,274
	254,779	230,182

20 Long term liabilities (continued)

The long term liabilities include financing for 3G businesses totalling HK$134,190 million (2003 – HK$57,538 million) of which HK$105,161 million (2003 – HK$23,194 million) were guaranteed by the Group.

The bank and other loans of the Group are secured to the extent of HK$52,891 million (2003 – HK$52,815 million) of which HK$29,029 million (2003 – HK$34,345 million) and HK$22,990 million (2003 – HK$16,187 million) are non guaranteed and guaranteed loans respectively for 3G businesses included in the financing amounts above.

The US$250 million notes-Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

The loans are repayable as follows:

	2004 HK$ millions	2003 HK$ millions
Bank loans		
After 1 year, but within 2 years	**17,242**	25,797
After 2 years, but within 5 years	**61,703**	44,787
After 5 years	**42,017**	26,844
Other loans		
After 1 year, but within 2 years	**970**	4,929
After 2 years, but within 5 years	**3,344**	1,738
After 5 years	**4,582**	3,813
Other notes and bonds		
After 1 year, but within 2 years	**7,758**	–
After 2 years, but within 5 years	**11,940**	18,981
After 5 years	**105,223**	103,293
	254,779	230,182

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings. At 31 December 2004, outstanding interest rate swap agreements with financial institutions amounted to HK$97,458 million (2003 – HK$106,350 million). In addition, HK$10,956 million (2003 – HK$6,062 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. The fair value of these swap agreements as at 31 December 2004 would result in a loss, if realised, of HK$670 million. The fair value is calculated as the present value of the estimated future cash flows.

The Group has entered into currency swap arrangements with banks to swap non HK dollar borrowings of HK$650 million (2003 – HK$8,997 million) to US dollar borrowings, US dollar borrowings of HK$1,365 million (2003 – HK$1,365 million) to non US dollar borrowings and non US dollar borrowings of HK$3,606 million (2003 – HK$2,555 million) to non US dollar borrowings to match currency exposure of the underlying businesses. As at 31 December 2004, non HK dollar borrowings are translated at foreign currency market rates at the balance sheet date or at the contracted swap rates where the Group has entered into currency swap arrangements.

21 Pledge of assets

At 31 December 2004, the Group's share of H3G S.p.A. and its respective assets were pledged as security for 3G project financing facilities, while facilities for Hutchison 3G UK Limited were fully repaid in 2004. The assets pledged amounted to HK$83,273 million (2003 – HK$164,818 million) as at 31 December 2004. In addition, HK$41,107 million (2003 – HK$17,628 million) of assets were pledged as security for bank and other loans of the Group.

22 Pension obligations

	2004 **HK$ millions**	2003 HK$ millions
Defined benefit plans		
Plan obligations	**1,143**	960

Movements in the net defined benefit plan obligations are as follows:

	2004 **HK$ millions**	2003 HK$ millions
At 1 January	**960**	695
Exchange translation differences	**78**	30
Liabilities acquired in business acquisition	**14**	–
Total expense	**593**	669
Contributions paid	**(502)**	(434)
At 31 December	**1,143**	960

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

22 Pension obligations (continued)

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non contributory guaranteed return defined contribution plans.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2003 and 31 December 2004 using the projected unit credit method to account for the Group's pension accounting costs in accordance with SSAP 34 "Employee Benefits".

The principal actuarial assumptions used for accounting purposes are as follows:

	2004	2003
Discount rate applied to defined benefit plan obligations	**3.50% – 10.00%**	4.50% – 9.00%
Expected return on plan assets	**4.50% – 11.00%**	4.29% – 9.00%
Future salary increases	**2.00% – 4.90%**	3.00% – 4.00%
Interest credited on plan accounts	**5.00% – 6.00%**	5.00% – 6.00%

The amount recognised in the consolidated balance sheet is determined as follows:

	2004 HK$ millions	2003 HK$ millions
Present value of defined benefit obligations	**10,401**	8,282
Fair value of plan assets	**7,977**	6,339
Deficit	**2,424**	1,943
Unrecognised actuarial loss	**(1,010)**	(637)
Unrecognised liabilities on initial adoption of SSAP 34	**(271)**	(346)
Net defined benefit plan obligations	**1,143**	960

Fair value of plan assets of HK$7,977 million (2003 – HK$6,339 million) includes investments in the Company's shares with a fair value of HK$57 million (2003 – HK$34 million).

22 Pension obligations (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated profit and loss account is as follows:

	2004 **HK$ millions**	2003 HK$ millions
Current service cost	**500**	523
Past service cost	**–**	13
Amortisation of unrecognised liabilities on initial adoption of SSAP 34	**97**	65
Interest cost	**446**	398
Expected return on plan assets	**(463)**	(378)
Net actuarial loss recognised	**13**	48
Total expense	**593**	669
Less: expense capitalised	**(22)**	(17)
Total, included in staff costs	**571**	652

The actual gain on plan assets in 2004 was HK$566 million (2003 – HK$698 million).

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2004. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 29 February 2004 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 28 February 2007 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2004, this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$36 million (2003 – HK$35 million) were used to reduce the current year's level of contributions and HK$4 million was available at 31 December 2004 (2003 – HK$5 million) to reduce future years' contributions.

22 Pension obligations (continued)

(a) Defined benefit plans (continued)

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2004, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. The sponsoring employer's contributions have been increased from August 2004 to finance the increased cost of accrual of benefits and to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.5% per annum, pensionable salary increases of 3.0% per annum and pension increases of 2.75% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt LLP.

The Group's defined benefit pension plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The first formal valuation for funding purposes was carried out at 31 March 2003. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer's contributions have been increased from April 2003 to fund the deficit over a period of 12 years. The main assumptions in the valuation are an investment return of 5.5% to 6.5% per annum and pensionable salary increases of 4% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited. The funding of the plan will be reviewed within three years of the last formal valuation.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

The Group's defined benefit retirement plan for its infrastructure operations in the United Kingdom was assumed on acquisition of a subsidiary company on 28 April 2004. The retirement plan is covered under the Water Companies Pension Scheme of which the subsidiary company is a member. Contributions to the defined benefit plan are made by the employees at 6% of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan. The actuarial valuation of the defined benefit plan was updated to 31 December 2004 by Mr. Stephen J Davies, a Fellow of the Institute of Actuaries, of Lane Clark & Peacock LLP.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$637 million (2003 – HK$400 million). Forfeited contributions totalling HK$1 million (2003 – HK$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2004 (2003 – HK$1 million) to reduce future years' contributions.

23 Minority interests

	2004	2003
	HK$ millions	HK$ millions
Equity interests	**30,013**	33,916
Loans – interest free	**1,944**	5,736
Loans – interest bearing	**5,096**	5,885
	37,053	45,537

The loans are unsecured and have no fixed terms of repayment.

In November 2003, the Group entered into an agreement with KPN Mobile N.V. ("KPN") whereby the Group has the right to purchase or procure the purchase of KPN's 15% interest in Hutchison 3G UK Holdings, subject to payments of £60 million in November 2003 and three equal installments of £10 million each on the last day of 2005, 2006 and 2007 for an aggregate amount of £90 million. If the Group fails to make any of the payments, the agreement terminates automatically, subject to, inter alia, KPN's right to put the shares at a later date to the Group for the total of the unpaid amounts plus accrued interest thereon up to the date of payment. The put option is exercisable during the period from 1 July to 31 December in the year after the relevant payment date. Subject to either party exercising their respective rights, completion of the transfer of the shares would take place when full and final payment is made and until that date the Group does not have the voting rights, or right to dividends arising from the shares. No gain or loss, if any, would be recognised until and subject to completion of the entire transaction.

In May 2004, the Group entered into an agreement with NTT DoCoMo, Inc. ("DoCoMo") whereby the Group has the right to purchase or procure the purchase of DoCoMo's 20% interest in Hutchison 3G UK Holdings, subject to payments of £80 million in September 2004, £20 million in January 2006 and £20 million in December 2006 for an aggregate amount of £120 million. If the Group fails to make any of the payments, the agreement terminates automatically subject to, inter alia, DoCoMo's right to put the shares at a later date to the Group for the total of the unpaid amounts plus accrued interest thereon up to the date of payment. The put option is exercisable during a three month period commencing six months after the first and second payment dates and 21 business days after the final payment date. Subject to either party exercising their respective rights, completion of the transfer of the shares would take place when full and final payment is made and until that date the Group does not have the voting rights, or right to dividends arising from the shares. No gain or loss if any, would be recognised until and subject to completion of the entire transaction. In addition, the Group has an option to make the payments to DoCoMo in cash or shares of Hutchison Telecommunications International Limited ("HTIL"), a subsidiary of the Group listed its shares on the Hong Kong Stock Exchange and the New York Stock Exchange. The amount of the payments (including the amount payable on completion following exercise of the put) may be adjusted upward or downward to account for increases or decreases in the market prices of HTIL shares held by DoCoMo pursuant to previous payments satisfied by HTIL shares. The Group has exercised the option to make the first payment to DoCoMo in shares of HTIL in October 2004.

Should either the Group or the other parties in the future exercise the rights as described above, Hutchison 3G UK Holdings would become a wholly-owned subsidiary of the Group and the credit balance related to the minority interests at that time would be eliminated. As at 31 December 2004, the credit balance of these minority holdings in Hutchison 3G UK Holdings amounted to HK$14,997 million (2003 – HK$18,848 million).

24 Share capital

	2004 Number of shares	2003 Number of shares	2004 HK$ millions	2003 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7-1/2% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

25 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to EBITDA

	2004 HK$ millions	2003 HK$ millions
Profit before taxation	**6,655**	7,031
Interest and other finance costs, Company and subsidiary companies	**11,050**	7,715
Interest and other finance costs, share of associated companies and jointly controlled entities	**1,662**	1,853
Depreciation and amortisation, Company and subsidiary companies	**30,263**	13,166
Depreciation and amortisation, share of associated companies and jointly controlled entities	**5,598**	5,486
Change in fair value of investment properties, Company and subsidiary companies	**(5,244)**	1,809
Change in fair value of investment properties, share of associated companies and jointly controlled entities	**(58)**	(104)
Prepaid 3G CAC expense	**8,423**	917
Other non-cash items included in profit on disposal of investments and others	**(22)**	3,111
Release of provisions	**–**	(7,081)
EBITDA before prepaid 3G CAC expense	**58,327**	33,903
Prepaid 3G CAC expense	**(8,423)**	(917)
EBITDA	**49,904**	32,986

(b) Changes in working capital

	2004 HK$ millions	2003 HK$ millions
Increase in stocks	**(6,386)**	(3,165)
Increase in debtors and prepayments	**(11,017)**	(1,602)
Increase in creditors	**9,762**	5,180
Other non-cash items	**(712)**	(1,531)
	(8,353)	(1,118)

25 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies

	2004 Book value HK$ millions	2004 Fair value HK$ millions	2003 Fair value HK$ millions
Net assets acquired (excluding cash and cash equivalents):			
Fixed assets	**5,086**	**5,218**	1,665
Telecommunications licences	**1,653**	**1,653**	–
Interests in associated companies	**3**	**3**	–
Liquid funds and other listed investments	**71**	**71**	–
Stocks	**95**	**95**	–
Debtors	**1,362**	**1,362**	(17)
Bank and other loans	**(4,489)**	**(4,489)**	(233)
Creditors and taxation	**(680)**	**(680)**	(1,023)
Deferred taxation	**46**	**46**	(370)
Goodwill	**1,785**	**1,646**	497
Minority interests	**52**	**57**	(63)
Loans from minority interests	**3,914**	**3,914**	(188)
	8,898	**8,896**	268
Less: Cost of investments just prior to purchase	**(2,240)**	**(2,240)**	(3)
Less: Negative goodwill charged to profit and loss account	**(8)**	**(8)**	–
	6,650	**6,648**	265
Discharged by:			
Cash payment		**7,385**	295
Less: Cash and cash equivalents purchased		**(762)**	(30)
Total net cash consideration		**6,623**	265
Deferred consideration		**25**	–
Total consideration		**6,648**	265

The effect on the Group's results from the subsidiaries acquired is immaterial for the years ended 31 December 2004 and 2003.

The pre-acquisition revenue and results of the acquired subsidiaries for the period from 1 January 2004 to the date of acquisition determined using the acquired subsidiaries' accounting policies were as follows:

	Period ended at date of acquisition HK$ millions
Revenue	**303**
Loss attributable to shareholders	**1**

25 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies

	2004 HK$ millions	2003 HK$ millions
Net assets disposed of (excluding cash and cash equivalents):		
Fixed assets	**24**	724
Stocks	**7**	54
Debtors	**7**	463
Bank and other loans	**–**	(19)
Creditors and taxation	**(40)**	(421)
Goodwill	**349**	1,390
Minority interests	**3,548**	57
	3,895	2,248
Provision	**(69)**	802
Profit on disposal	**5,522**	1,691
	9,348	4,741
Less: Investments retained subsequent to disposal	**–**	(7)
	9,348	4,734
Satisfied by:		
Cash consideration	**9,379**	4,783
Less: Cash and cash equivalents sold	**(31)**	(49)
Total net cash consideration	**9,348**	4,734

The effect on the Group's results from the disposal of subsidiaries is immaterial for the years ended 31 December 2004 and 2003.

(e) Disposal of associated companies

	2004 HK$ millions	2003 HK$ millions
Net proceeds from disposal of:		
Procter & Gamble-Hutchison	**14,600**	–
Others	**11**	93
	14,611	93

The effect on the Group's results from the disposal of associated companies is immaterial for the years ended 31 December 2004 and 2003.

25 Notes to consolidated cash flow statement (continued)

(f) Analysis of changes in financing during the year

	Bank and other loans HK$ millions	Minority interests HK$ millions	Total HK$ millions
At 1 January 2004, as previously reported	**267,259**	**45,748**	**313,007**
Prior year adjustments (note 1a)	**–**	**(211)**	**(211)**
At 1 January 2004, as restated	**267,259**	**45,537**	**312,796**
New loans	**68,755**	**8,057**	**76,812**
Repayment of loans	**(69,635)**	**(9,483)**	**(79,118)**
Issue of shares by subsidiary companies to minorities	**–**	**376**	**376**
Net cash flows from financing activities	**(880)**	**(1,050)**	**(1,930)**
Minority interests in profit	**–**	**(6,431)**	**(6,431)**
Dividends payable to minority shareholders	**–**	**(2,555)**	**(2,555)**
Minority interests in exchange reserve	**–**	**1,623**	**1,623**
Minority interests in revaluation reserve	**–**	**8**	**8**
Exchange translation differences	**7,029**	**344**	**7,373**
Purchase of minority interests	**–**	**(106)**	**(106)**
Relating to subsidiary companies acquired	**4,489**	**(3,865)**	**624**
Relating to subsidiary companies disposed of	**–**	**3,548**	**3,548**
At 31 December 2004	**277,897**	**37,053**	**314,950**
At 1 January 2003, as previously reported	179,397	41,596	220,993
Prior year adjustments (note 1a)	–	(41)	(41)
At 1 January 2003, as restated	179,397	41,555	220,952
New loans	124,913	6,384	131,297
Repayment of loans	(46,871)	(2,136)	(49,007)
Issue of shares by subsidiary companies to minorities	–	430	430
Net cash flows from financing activities	78,042	4,678	82,720
Minority interests in profit	–	(1,550)	(1,550)
Dividends payable to minority shareholders	–	(3,056)	(3,056)
Minority interests in exchange reserve	–	2,615	2,615
Minority interests in revaluation reserve	–	(4)	(4)
Exchange translation differences	9,606	991	10,597
Purchase of minority interests	–	(145)	(145)
Relating to subsidiary companies acquired	233	396	629
Relating to subsidiary companies disposed of	(19)	57	38
At 31 December 2003	267,259	45,537	312,796

26 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	2004	2003
	HK$ millions	HK$ millions
To associated companies		
Other businesses	**1,257**	1,204
To jointly controlled entities		
Property businesses	**4,916**	5,041
Telecommunications businesses	**–**	5,648
Other businesses	**1,269**	1,300
	6,185	11,989

At 31 December 2004 the Group had provided performance and other guarantees of HK$5,994 million (2003 – HK$5,005 million) primarily for telecommunications business.

27 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2004 are as follows:

Capital commitments

1. Contracted for:
   - i. Container terminals, Hong Kong – HK$520 million (2003 – HK$339 million)
   - ii. Container terminals, Mainland China – HK$340 million (2003 – HK$530 million)
   - iii. Container terminals, others – HK$1,879 million (2003 – HK$901 million)
   - iv. Telecommunications, **3** Group – HK$8,081 million (2003 – HK$14,081 million)
   - v. Hutchsion Telecommunications International Limited – HK$2,037 million (2003 – HK$2,560 million)
   - vi. Investment properties in Hong Kong – HK$2 million (2003 – HK$267 million)
   - vii. Investment in Joint Venture in Hong Kong – HK$869 million (2003 – nil)
   - viii. Investment in Joint Venture outside Hong Kong – HK$6,914 million (2003 – HK$1,826 million)
   - ix. Other fixed assets – HK$231 million (2003 – HK$552 million)
   - x. Other investments – nil (2003 – HK$764 million)

2. Authorised but not contracted for:
   The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.
   - i. Container terminals, Hong Kong – HK$916 million (2003 – HK$1,061 million)
   - ii. Container terminals, Mainland China – HK$14,882 million (2003 – HK$3,046 million)
   - iii. Container terminals, others – HK$6,040 million (2003 – HK$2,920 million)
   - iv. Telecommunications, **3** Group – HK$13,550 million (2003 – HK$22,599 million)
   - v. Hutchison Telecommunications International Limited – HK$7,908 million (2003 – HK$8,178 million)
   - vi. Investment properties in Hong Kong – nil (2003 – HK$478 million)
   - vii. Investment properties outside Hong Kong – HK$1,202 million (2003 – HK$685 million)
   - viii. Investment in Joint Venture in Hong Kong – nil (2003 – HK$8 million)
   - ix. Investment in Joint Venture outside Hong Kong – HK$956 million (2003 – HK$994 million)
   - x. Other fixed assets – HK$5,636 million (2003 – HK$4,677 million)

27 Commitments (continued)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

Established businesses

1. In the first year – HK$5,264 million (2003 – HK$3,490 million)
2. In the second to fifth years inclusive – HK$13,993 million (2003 – HK$8,392 million)
3. After the fifth year – HK$30,845 million (2003 – HK$10,835 million)

Telecommunications – **3** Group

1. In the first year – HK$1,585 million (2003 – HK$1,107 million)
2. In the second to fifth years inclusive – HK$4,093 million (2003 – HK$3,751 million)
3. After the fifth year – HK$10,718 million (2003 – HK$9,541 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

Established businesses

1. In the first year – HK$428 million (2003 – HK$343 million)
2. In the second to fifth years inclusive – HK$740 million (2003 – HK$742 million)
3. After the fifth year – HK$1,215 million (2003 – HK$1,278 million)

Telecommunications – **3** Group

1. In the first year – HK$61 million (2003 – HK$54 million)
2. In the second to fifth years inclusive – HK$39 million (2003 – HK$18 million)
3. After the fifth year – HK$9 million (2003 – nil)

Other commitments

3G handsets – HK$16,679 million (2003 – HK$11,592 million)

28 Related parties transactions

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2004, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$20,520 million (2003 – HK$19,943 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$4,916 million (2003 – HK$5,041 million) for the benefit of these same entities.

29 Legal proceedings

As at 31 December 2004, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it. In December 2004, a ruling on the disputes with CIRtel International S.A. ("CIRtel") as described below, was issued and the disputes were resolved.

CIRtel Arbitration

Hutchison 3G Italia SpA ("H3G Italia") and Hutchison International Limited ("HIL") had been involved in arbitration proceedings before the International Chamber of Commerce for the resolution of a dispute with its joint venture partner CIRtel as to whether CIRtel was in breach of its funding obligations under the H3G Italia shareholders' agreement in demanding the repayment of a €373.2 million shareholder loan from CIRtel to H3G Italia, being CIRtel's pro rata contribution to finance the acquisition of a 3G national network licence in Italy and H3G Italia's initial working capital. HIL and H3G Italia initiated the arbitration proceedings, pursuant to the terms of the shareholders' agreement to seek a ruling that CIRtel was required to irrevocably commit to provide the disputed amount of funding to the joint venture.

Subsequent to the ruling, on 23 December 2004, Hutchison 3G Italy Investments S.à r.l. ("H3GII"), a subsidiary of the Group, entered into an agreement to purchase from CIRtel the CIRtel's entire shareholding in H3G Italia and all of CIRtel's right to receive repayment of loans made by CIRtel to H3G Italia and interest thereon for a total purchase price of €469.6 million. H3GII then capitalised the principal amount of the loans immediately.

30 Subsequent events

In August 2004, Cheung Kong Infrastructure ("CKI") made an investment in the North of England Gas Distribution Network. The total consideration for the project was HK$20 billion (£1,393 million), of which CKI holds a 40% stake. The acquisition is CKI's first investment in gas distribution in the United Kingdom and the transaction is expected to be completed in mid-2005.

On 14 January 2005, the Group has filed with Autorité des Marchés Financiers offer documents relating to a proposed cash offer for the entire issued capital in, and bonds convertible or exchangeable into new or existing shares, of Marionnaud Parfumeries SA ("Marionnaud"), a company listed on the Premier Marché of Euronext Paris, for a total consideration of approximately €534 million. The offer is conditional upon securities representing more than 50.01% of the fully diluted share capital of Marionnaud being tendered to the offer. Subject to the fulfilment of the above condition, the offer is anticipated to close around April 2005.

31 US dollar equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK$7.80 to US$1.

32 Approval of accounts

The accounts set out on pages 116 to 170 were approved by the Board of Directors on 31 March 2005.

33 Earnings before interest expense and taxation ("EBIT")

In accordance with the disclosure requirements of the Companies Ordinance and the Listing Rules of Hong Kong, EBIT is shown after crediting and charging the following items:

	2004 HK$ millions	2003 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**7,121**	7,286
Unlisted	**1,701**	1,510
	8,822	8,796
Share of gross rental income from associated companies and jointly controlled entities	**571**	491
Gross rental income from investment properties of subsidiary companies	**1,820**	1,870
Less: intra group rental income	**(256)**	(271)
	1,564	1,599
Less: related outgoings	**(51)**	(40)
Net rental income of subsidiary companies	**1,513**	1,559
Dividend and interest income from managed funds and other investments		
Listed	**2,139**	2,498
Unlisted	**172**	149
Charges:		
Depreciation and amortisation		
Fixed assets	**15,887**	9,485
Goodwill	**–**	425
Telecommunications licences	**5,793**	2,185
Telecommunications 3G customer acquisition costs	**8,583**	1,071
Operating leases		
Properties	**7,942**	6,450
Hire of plant and machinery	**624**	535
Auditors' remuneration		
Audit and audit related work		
– PricewaterhouseCoopers	**155**	63
– Other auditors	**25**	7
Non audit work		
– PricewaterhouseCoopers	**27**	30
– Other auditors	**20**	7

34 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Companies Ordinance of Hong Kong, the balance sheet of the Company as at 31 December 2004 is set out as follows:

	2004 HK$ millions	2003 HK$ millions
Assets		
Non-current assets		
Subsidiary companies		
Unlisted shares [(a)]	**728**	728
Amounts due from subsidiary companies	**49,556**	51,415
	50,284	52,143
Current assets		
Dividends and other receivables from subsidiary companies	**15,600**	5,500
Current liabilities		
Bank overdrafts	**2**	–
Other payables and accruals	**100**	97
	102	97
Net current assets	**15,498**	5,403
Net assets	**65,782**	57,546
Capital and reserves		
Share capital (note 24)	**1,066**	1,066
Reserves[(b)]	**64,716**	56,480
Shareholders' funds	**65,782**	57,546

FOK Kin-ning, Canning
Director

Frank John SIXT
Director

34 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 165 to 170.

(b) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2004	**28,359**	**28,121**	**56,480**
Profit for the year	**–**	**15,611**	**15,611**
2003 final dividend paid	**–**	**(5,201)**	**(5,201)**
2004 interim dividend paid	**–**	**(2,174)**	**(2,174)**
At 31 December 2004	**28,359**	**36,357**	**64,716**
At 1 January 2003	28,359	27,689	56,048
Profit for the year	–	7,807	7,807
2002 final dividend paid	–	(5,201)	(5,201)
2003 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2003	28,359	28,121	56,480

(c) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(d) Pursuant to the disclosure requirement of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its finance and subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated debt included in notes 19 and 20 totalling HK$277,897 million (2003 – HK$267,259 million), the Company has guaranteed a total of HK$217,138 million (2003 – HK$164,299 million) which has been borrowed in the name of subsidiary companies.

(e) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities totalling HK$1,110 million (2003 – HK$6,660 million). This amount has been included in the Group's contingent liabilities disclosed in note 26.

at 31 December 2004

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services					
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	10,000,000	100	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HK$	40	43	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	100	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	100	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	Euro	45,378,021	98	Container terminal operating
	Freeport Container Port Limited	Bahamas	B$	2,000	60	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	100	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HK$	20	87	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company Limited	Hong Kong	HK$	20,000,000	50	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HK$	76,000,000	50	Ship repairing & general engineering
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	US$	2	100	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	US$	26,000,000	100	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	100	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	80	Container terminal operating
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	100	Finance
	Hutchison Ports Investments S.à r.l.	Luxembourg	Euro	12,500	100	Holding company
	Hutchison Westport Investments Limited	British Virgin Islands	US$	2	100	Holding company
	IIHC Limited	Cayman Islands	US$	74,870,807	100	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	100	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SR	2,000,000	51	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	US$	14,461,665	50	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	Rs	1,109,384,220	100	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	45,005,000,000	89	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	50,000,000	51	Container terminal operating
	Logistics Information Network Enterprise Limited	Cayman Islands	US$	2	100	e-logistic services
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	US$	25,400	100	Holding company & mid-stream container operating
✡ ⌘	Nanhai International Container Terminals Limited	China	US$	31,200,000	50	Container terminal operating
✡ ⌘	Ningbo Beilun International Container Terminals Limited	China	RMB	1,880,000,000	49	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	US$	1	43	River trade terminal operation
	Panama Ports Company, S. A.	Panama	US$	10,000,000	90	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	100	Container terminal operating
	PT Ocean Terminal Petikemas	Indonesia	IDR	130,000,000,000	100	Container terminal operating
	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,500	51	Container terminal operating

at 31 December 2004

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services (continued)					
☼ ⌘	Shanghai Container Terminals Limited	China	RMB	2,000,000,000	37	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	US$	88,000,000	70	Container terminal operating
†	Shenzhen Hutchison Inland Container Depots Co., Ltd.	China	HK$	92,000,000	71	Inland container depots services
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	88	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP	2	100	Container terminal operating
#	Westport Holdings Sdn. Bhd.	Malaysia	M$	117,000,000	31	Container terminal operating
☼ ⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	49	Container terminal operating
⌘	Yantian International Container Terminals Limited	China	HK$	2,400,000,000	48	Container terminal operating
⌘	Yantian International Container Terminals (Phase III) Limited	China	HK$	2,400,000,000	43	Container terminal operating
☼ ⌘	Zhuhai International Container Terminals (Gaolan) Limited	China	US$	23,500,000	50	Container terminal operating
☼ ⌘	Zhuhai International Container Terminals (Jiuzhou) Limited	China	US$	52,000,000	50	Container terminal operating
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
☼	Afford Limited	Hong Kong	HK$	20	50	Property investment
☼	Bayswater Developments Limited	British Virgin Islands	US$	2	50	Property investment
☼	Chesgold Limited	Hong Kong	HK$	4	50	Property investment
☼	Cheung Wo Hing Fung Enterprises Limited	British Virgin Islands	US$	100	50	Property investment
☼	Conestoga Limited	Hong Kong	HK$	10,000	39	Property owning
+	Consolidated Hotels Limited	Hong Kong	HK$	78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HK$	2	100	Property owning
☼	Forton Investment Limited	Hong Kong	HK$	4	50	Property investment
	Foxton Investments Limited	Hong Kong	HK$	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HK$	1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HK$	100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	US$	2	50	Hotel management
	Harley Development Inc.	Panama/Hong Kong	US$	2	100	Property owning
	Hongville Limited	Hong Kong	HK$	2	100	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HK$	50,000	100	Property management
	Hutchison Hotel Hong Kong Limited	Hong Kong	HK$	2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	US$	1	100	Holding company
☼	Hutchison LR Development Limited	British Virgin Islands	US$	100	45	Property investment
+	Hutchison Lucaya Limited	Bahamas	US$	5,000	100	Investment in hotel
	Hutchison Properties Limited	Hong Kong	HK$	166,758,910	100	Holding company
	Hutchison Whampoa Properties Limited	Hong Kong	HK$	2	100	Holding company

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Property and hotels (continued)					
✡	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB	525,000,000	50	Property developing & investment
✡ ⌘	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB	230,000,000	48	Property developing
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HK$	20	100	Property management & related services
	Hybonia Limited	Hong Kong	HK$	20	100	Property owning
✡+	Konorus Investment Limited	Hong Kong	HK$	2	43	Property developing
✡+	Marketon Investment Limited	Hong Kong	HK$	4	50	Property owning
#	Marunochi N.V.	Netherlands Antilles	US$	20,420	45	Property owning
	Matrica Limited	Hong Kong	HK$	20	70	Property owning
✡	Montoya (HK) Limited	Hong Kong	HK$	140	50	Property investment
	Mossburn Investments Limited	Hong Kong	HK$	1,000	100	Property owning
✡	New China Sheen Limited	Hong Kong	HK$	4	50	Property investment
✡	New China Target Limited	Hong Kong	HK$	4	50	Property investment
	Omaha Investments Limited	Hong Kong	HK$	10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HK$	100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
#+	Randash Investment Limited	Hong Kong	HK$	110	39	Investment in hotel
	Rhine Office Investments Limited	Hong Kong	HK$	2	100	Property owning
†✡	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB	620,000,000	40	Property development
	Trillium Investment Limited	Bahamas/Hong Kong	US$	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HK$	2	100	Property owning
	Vember Lord Limited	Hong Kong	HK$	2	100	Property owning
	Retail and manufacturing					
	A.S.Watson & Company, Limited	Hong Kong	HK$	109,550,965	100	Holding company
	A.S.Watson (Europe) Holdings B.V.	Netherlands	Euro	18,100	100	Holding company
	A.S.Watson Group Holdings Limited	British Virgin Islands	US$	1	100	Holding company
	A.S.Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	US$	1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	A/S Drogras	Latvia	LVL	1,280,000	100	Retailing
#	Dirk Rossmann GmbH	Germany	Euro	11,908,500	40	Retailing
	Fortress Limited	Hong Kong	HK$	20	100	Retailing
✡ ⌘+	Guangzhou Aircraft Maintenance Engineering Company Limited	China	US$	27,500,000	50	Aircraft maintenance
⌘	Guangzhou Watson's Food and Beverages Co. Ltd.	China	US$	12,000,000	95	Beverage manufacturing & trading
	Kruidvat B.V.B.A.	Belgium	Euro	24,789	100	Retailing
	Kruidvat Retail B.V.	Netherlands	Euro	20,000	100	Retailing
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HK$	670,500,026	62	Trading & manufacturing of toys
	Hutchison Whampoa (China) Limited	Hong Kong	HK$	15,000,000	100	Investment holding & China services

at 31 December 2004

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Retail and manufacturing (continued)					
#	Metro Broadcast Corporation Limited	Hong Kong	HK$	1,000,000	50	Radio broadcasting
✡	Nuance-Watson (HK) Limited	Hong Kong	HK$	20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd.	Singapore	S$	2	50	Operation of duty free shops
	Park'N Shop Limited	Hong Kong	HK$	1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP	1,400,000	100	Retailing
	Superdrug Stores plc	United Kingdom	GBP	21,510,854	100	Retailing
❋ #	TOM Group Limited	Cayman Islands/ Hong Kong	HK$	387,826,182	24	Cross media
	Watson's Personal Care Stores (Taiwan) Co., Limited	Taiwan	NT$	711,000,000	100	Retailing
	Watson's Personal Care Stores Pte Ltd	Singapore	S$	5,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP	135,000,000	60	Retailing
	Watson's The Chemist Limited	Hong Kong	HK$	1,000,000	100	Retailing
	Energy and infrastructure					
+	Anderson Asia (Holdings) Limited	Hong Kong	HK$	1	85	Quarry operation and production; distribution of concrete & aggregates
+	Cheung Kong China Infrastructure Limited	Hong Kong/China	HK$	2	85	Investment in infrastructure projects
❋ +	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HK$	2,254,209,945	85	Holding Company
@ # +	ETSA Utilities Partnership	Australia		N/A	42	Electricity distribution
+	Green Island Cement (Holdings) Limited	Hong Kong	HK$	203,098,914	85	Cement manufacturing & distributing
❋ # +	Hongkong Electric Holdings Limited	Hong Kong	HK$	2,134,261,654	33	Electricity generating
❋ # +	Husky Energy Inc.	Canada	C$	3,456,632,593	35	Investment in oil and gas
# +	Powercor Australia Limited	Australia	A$	12	42	Electricity distribution

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations		Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Finance and investments					
	Binion Investment Holdings Limited	Cayman Islands	US$	3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HK$	2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HK$	139,254,060	100	Holding company
	Hutchison International Finance (01/08) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Finance (03/08) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Limited	Hong Kong	HK$	446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment & treasury
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	Euro	1,764,026,850	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP	1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa International (01/11) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	US$	1	100	Finance
	Strategic Investments International Limited	British Virgin Islands	US$	1	87	Overseas portfolio investment & treasury
	Zeedane Investments Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
	Telecommunications					
	Fascel Limited	India	INR	5,000,000,000	46	Mobile telephone services
	Hutchison 3G HK Limited	Hong Kong	HK$	2	49.7	3G mobile network services
	Hutchison 3G Services (HK) Limited	Hong Kong	HK$	2	49.7	3G mobile multimedia services
	Hutchison Essar South Limited	India	INR	5,396,075,000	52	Mobile telephone services
	Hutchison Essar Telecom Limited	India	INR	1,997,164,690	35	Mobile telephone services
❋	Hutchison Global Communications Holdings Limited	Bermuda/Hong Kong	HK$	690,397,596	37	Fixed line communications
	Hutchison Max Telecom Private Limited	India	INR	1,084,388,190	35	Mobile telephone services
	Hutchison Telecom East Limited	India	INR	1,934,416,370	42	Mobile telephone services
	Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HK$	20	70	Telecommunications
❋	Hutchison Telecommunications International Limited	Cayman Islands/ Hong Kong	HK$	1,125,000,000	70	Holding company
	Hutchison Telecommunications Limited	Hong Kong	HK$	10,000	100	Holding company
	Hutchison Telephone Company Limited	Hong Kong	HK$	1,258,120	49.7	Mobile telephone services
❋ #	Partner Communications Company Ltd.	Israel	NIS	1,826,956	30	Mobile telephone services
#	Hutchison CAT Wireless MultiMedia Limited	Thailand	THB	950,000,000	25	Mobile telephone services

at 31 December 2004

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Telecommunications (continued)					
	H3G S.p.A.	Italy	Euro	474,303,795	91	3G mobile multimedia services
	Hi3G Access Aktiebolag	Sweden	SEK	10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	Euro	35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP	1	65	3G mobile multimedia services
❋	Hutchison Telecommunications (Australia) Limited	Australia	A$	1,031,244,248	58	Holding company & telecommunications

The above table lists the principal subsidiary and associated companies and jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation. The activity of portfolio investment and e-commerce business is international, and not attributable to a principal place of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and jointly controlled entities are held indirectly.

❋ *Company listed on the Stock Exchange of Hong Kong except Partner Communications Company Ltd which is listed on both the London Stock Exchange and the Tel Aviv Stock Exchange and quoted on the Nasdaq Stock Market , Hutchison Telecommunications (Australia) Limited which is listed on the Australian Stock Exchange Limited, Husky Energy Inc which is listed on the Toronto Stock Exchange and Hutchison Telecommunications International Limited which is also listed on the New York Stock Exchange.*

\# *Associated company*

✡ *Jointly controlled entity*

⌘ *Equity joint venture registered under PRC law*

† *Cooperative joint venture registered under PRC law*

@ *ETSA Utilities Partnership, an incorporated body, consists of 5 associates of the Group as follows:*

CKI Utilities Development Limited
CKI Utilities Holdings Limited
CKI/HEI Utilities Distribution Limited
HEI Utilities Development Limited
HEI Utilities Holdings Limited

The partnership operates the electricity distribution network in the State of South Australia of Australia.

\+ *The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and turnover (excluding share of associated companies and jointly controlled entities) of these companies not audited by PricewaterhouseCoopers amounted to approximately 9.7% and 2.4% of the Group's respective items.*

Schedule of Principal Properties

at 31 December 2004

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Aberdeen Centre, Aberdeen, Hong Kong	AIL 302 & 304	Long	100%	345,026	C	Existing
Provident Centre, Wharf Road, Hong Kong	IL 8465	Long	100%	209,768	C	Existing
Hunghom Bay Centre, Hung Hom, Kowloon	RP of HHML 1	Long	100%	80,402	C	Existing
Whampoa Garden, Hung Hom, Kowloon	KIL 10750 Sec A – H & Sec J – L	Long	100%	1,713,990	C	Existing
Hutchison House, 10 Harcourt Road, Hong Kong	IL 8286	Long	100%	503,715	C	Existing
Aon China Building, 29 Queen's Road, Central, Hong Kong	IL 2317	Long	100%	258,751	C	Existing
Cheung Kong Center, 2 Queen's Road, Central, Hong Kong	IL 8887	Medium	100%	1,263,363	C	Existing
Harbour Plaza North Point and	IL 8885	Medium	39%	343,081	H	Existing
MLC Millennia Plaza, 661 – 665 King's Road, North Point, Hong Kong		Medium	39%	217,955	C	Existing
Trust Tower, 1/F – 20/F, 68 – 74 Johnston Road, Wanchai, Hong Kong	IL 4280 & RP of Sec A of ML 64A	Long	43%	56,260	C	Existing
Victoria Mall Canton Road, Kowloon	RP of KIL 11086	Medium	43%	169,307	C	Existing
9 Chong Yip Street, Kwun Tong, Kowloon	KTIL 444	Medium	64%	124,724	C	Existing
Shopping Centre of Belvedere Garden,						
Phase 1	TWTL 308	Medium	100%	21,340	C	Existing
Phase 2	TWTL 316 (Plot A)	Medium	65%	120,039	C	Existing
Phase 3	TWTL 316 (Plot B)	Medium	100%	131,945	C	Existing
Castle Peak Road, Tsuen Wan, New Territories						
Tsing Yi office development at Container Terminal No 9, Tsing Yi, New Territories	TYTL 139	Medium	87%	359,981	C	Existing
Watson House, Wo Liu Hang Road, Shatin, New Territories	STTL 61	Medium	100%	280,900	C/W	Existing
Hongkong International Distribution Centre,	M/F to 6/F on KCL No 4	Medium	88%	4,705,141	C/W	Existing
Kwai Chung, New Territories	G/F on KCL No 4	Medium	85%	737,394	C/W	Existing
Sheraton Hong Kong Hotel & Towers, Salisbury Road, Tsimshatsui, Kowloon	KIL 9172	Long	39%	729,945	H	Existing
One and Two Harbourfront and	Sec A, B & RP of	Long	100%	862,988	C	Existing
The Harbour Plaza Hong Kong, Hung Hom, Kowloon	HHML 6 and extension thereto	Long	100%	473,424	H	Existing
The Metropolis Tower, and Harbour Plaza Metropolis, Metropolis, Hung Hom Bay, Kowloon	KIL 11077	Medium	50%	713,895	C/H	Existing
Rambler Crest and Hotel Development, Tsing Yi, New Territories	TYTL 140	Medium	70%	485,206	H/C	Existing
Horizon Suite Hotel at Tolo Harbour, Ma On Shan, New Territories	STTL 461	Medium	49%	602,784	H	Existing
Watson Centre, 16 – 24 Kung Yip Street, Kwai Chung, New Territories	KCTL 258	Medium	100%	687,200	I	Existing
Watson's Water Centre, 6 Dai Li Street, Tai Po Industrial Estate, New Territories	Tai Po Town Lot 1 Sec B SS2	Medium	100%	255,138	I	Existing

at 31 December 2004

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Cavendish Centre, 23 Yip Hing Street, Wong Chuk Hang, Hong Kong	AIL 399	Long	100%	342,868	I	Existing
One half of M/F, whole of 6/F – 10/F & the roof, 1 – 11 Ka Ting Road, Kwai Chung, New Territories	RP of KCTL 129	Medium	100%	100,800	I	Existing
Food distribution depot, Sheung Shui, New Territories	FSSTL 97	Medium	100%	142,394	I	Existing
Cement manufacturing plant, Tap Shek Kok, Tuen Mun, New Territories	TMTL 201	Medium	85%	1,645,331	I	Existing
Trendy Centre, 682 – 684 Castle Peak Road, Kowloon	NKIL 6224	Medium	25%	179,931	I/O	Existing
Caribbean Coast, Tung Chung, New Territories (site area approx 730,876 sq ft)	TCTL 5	Medium	50%	1,369,745	R/C	2005 (85%)
		Medium	50%	298,685	R	2006 (50%)
		Medium	40%	474,575	R	2006 (57%)
Harbourfront Landmark, Wan Hoi Street, Hung Hom, Kowloon	KIL 11055	Medium	50%	222,099	R/C	Existing
Oriental Plaza, Dong Chang An Jie, Beijing, China	Dong Chang An Jie, Beijing	Medium	18%	4,219,409	C	Existing
		Medium	18%	1,840,610	H/SA	Existing
Great Wall Hotel, 10 North Dong Sang Hun Road, Chao Yang District, Beijing, China	Chaoyang District Beijing	Medium	49.8%	898,800	H	Existing
The Greenwich, Yao Jia Yuan Lu Bei, Chaoyang District, Beijing, China (site area approx 2,848,728 sq ft)	Chaoyang District, Beijing					
	Phase 1	Long	46%	2,323,075	R	2006 (1%)
	Phase 2	Long	46%	1,624,010	R	2007 (1%)
Metropolitan Plaza, Chongqing, China	Ba Yi Lu, Chongqing	Medium	50%	1,511,515	C	Existing
Harbour Plaza Chongqing, China	Ba Yi Lu, Chongqing	Medium	50%	482,765	H	Existing
Beverly Hills Jiangbei, Chongqing, China	Yubei, Chongqing					
	Phases 1 – 2	Medium	50%	425,742	R	Existing
Nanan Development Nanan, Chongqing, China (site area approx 1,779,084 sq ft)	Nanan, Chongqing					
	Phases 1 – 2	Medium	48%	3,420,736	R	2008 (1%)
	Commercial	Medium	48%	691,919	C	2007 (1%)
A residential development in Chengdu, China (site area approx 7,437,595 sq ft)	Chengdu High-Tech Zone	Long	50%	26,310,042	R	2020 (1%)
Huangsha underground railway development, Guangzhou, China (site area approx 767,265 sq ft)	Huangsha MTR Station Podium					
	Phases 1 – 2	Long	50%	2,758,988	R	2007 (3%)
	Commercial	Long	50%	878,122	C	2006 (7%)
Cape Coral, Panyu, Guangzhou, China (site area approx 4,621,147 sq ft)	Dai Shi, Panyu					
	Phase 1	Long	50%	767,373	R	Existing
	Phase 2	Long	50%	1,007,632	R	2005 (1%)
	Phase 3	Long	50%	1,465,190	R	2006 (1%)
	Phase 4	Long	50%	1,339,921	R	2007 (1%)
	Commercial	Long	50%	18,675	C	2005 (80%)
International Toys & Gifts Center, Huang Pu District, Guangzhou (site area approx 3,293,407 sq ft)	Nangang Village Head of Lang Bridge, Huang Pu District, Guangzhou	Medium	30%	1,130,543	C	2005 (70%)
		Medium	30%	1,783,745	C	2007 (1%)
Laguna Verona, Dongguan, Guangdong, China (site area approx 35,954,838 sq ft)	Hwang Gang Lake, Dongguan					
	Phases A & B	Medium	47%	219,885	R	Existing
	Phase C	Medium	47%	367,174	R/C	2005 (95%)
	Phase E	Medium	47%	570,557	R	2005 (2%)
	Phase G Stage 1	Medium	47%	507,944	R/C	2005 (6%)
	Other Phases	Medium	47%	12,254,188	R/C	2013 (1%)

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Harbour Plaza Golf Club Dongguan, China	Hwang Gang Lake, Dongguan Golf course	Medium	42%	14,257,654	G	Existing
Le Parc (Huangpu Yayuan), Futian , Central District, Shenzhen, China	Central District, Shenzhen	Long	50%	78,849	C	Existing
Dynasty Garden Baoan, Shenzhen, China	Baoan, Shenzhen Phases 1 – 2	Long	50%	297,510	R	Existing
A Residential development at Guanlan Baoan, Shenzhen (site area approx 4,045,594 sq ft)	Baoan District, Shenzhen	Long	20%	1,697,193	R	2007 (1%)
A commercial & residential development at Feng Huang Shan, Shenzhen, China (site area approx 2,407,822 sq ft)	Ping Hu Longgang District Shenzhen	Long	50%	3,140,105	R/C	2009 (1%)
A commercial complex development at Futian District, Shenzhen, China (site area approx 184,118 sq ft)	Huaqiangbei Futian District Shenzhen	Medium	50%	1,596,982	R/C	2008 (1%)
Horizon Cove, Tang Jia Bay, Zhuhai, China (site area approx 4,797,169 sq ft)	Tang Jia Bay, Zhuhai					
	Phases 1, 2 & 3A	Long	50%	341,788	R	Existing
	Phase 3B	Long	50%	902,448	R	2005 (3%)
	Phase 4	Long	50%	1,002,131	R	2006 (1%)
	Commercial	Long	50%	24,251	C	Existing
The Center, Xuhui, Shanghai, China	Changshu Lu / Changle Lu Xuhui District, Shanghai	Medium	50%	963,336	C	Existing
Westgate Mall & Tower, Mei Long Zhen, Shanghai, China	Nanjing Xi Lu / Jiang Ning Lu, Shanghai	Medium	30%	1,099,361	C	Existing
Seasons Villas, Pudong Huamu, Shanghai, China (site area approx 2,907,679 sq ft)	Huamu Road, Pudong Shanghai					
	Phases 1 – 4, 5 & 6A	Medium	50%	1,255,687	R	Existing
	Phases 4A & 6B	Medium	50%	24,843	R	2005 (2%)
Regency Park, Pudong Huamu, Shanghai, China (site area approx 4,936,832 sq ft)	Huamu Road, Pudong Shanghai					
	Phase 3	Medium	50%	342,418	R	2005 (2%)
	Phases 2, 4 – 8	Medium	50%	1,173,276	R/C	2006 (1%)
A commercial & residential development in Gubei, Shanghai, China (site area approx 546,037 sq ft)	Gubei Road Shanghai	Long	50%	1,666,688	R/C	2006 (20%)
A commercial & residential development in Xi'an, China (site area approx 5,220,906 sq ft)	Xi'an Hi-Tech Industrial Development Zone	Medium	50%	11,440,251	R/C	2009 (1%)
Albion Riverside, United Kingdom	Wandsworth, London	Freehold	45%	53,219*	R	Existing
		Freehold	45%	79,242*	C	Existing
A commercial & residential development at Lots Road, Chelsea, London, United Kingdom (site area approx 279,572 sq ft)	Chelsea / Fulham, London	Freehold	23%	619,959*	R	2011 (1%)
		Freehold	23%	83,797*	C	2011 (1%)
Chelsea Harbour, Phase II, Chelsea, London, United Kingdom (site area approx 95,832 sq ft)	Chelsea / Fulham, London	Freehold	23%	117,953*	R	2011 (1%)
Costa Del Sol, Bayshore Road, Singapore	7455 PTMK 27, Singapore	Long	24%	993,069	R	Existing
Cairnhill Crest at Cairnhill Circle, Singapore	Lots 874P & 601W Singapore	Freehold	50%	439,984	R	Existing

at 31 December 2004

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Pacific Century Place Marunouchi, Tokyo, Japan	Marunouchi, Tokyo	Freehold	38%	786,000	C	Existing
The Westin and Sheraton at Our Lucaya Beach & Golf Resort in Freeport, Grand Bahama, Bahamas	Lucaya, Freeport, Grand Bahama Island	Freehold Freehold	100% 100%	1,027,494 320 acres	H G	Existing Existing
Container Terminal No 4, Kwai Chung, New Territories	KCL No 4	Medium	87%	70 acres	CT	Existing
Container Terminal No 6, Kwai Chung, New Territories	KCL No 6	Medium	87%	71 acres	CT	Existing
Container Terminal No 7, Kwai Chung, New Territories	KCL No 7 and extension	Medium	87%	85 acres	CT	Existing
Container Terminal No 8, East, Kwai Chung, New Territories	KCL No 8	Medium	43%	74 acres	CT	Existing
Container Terminal No 9, Tsing Yi, New Territories	TYTTL 139 and TYL 9 (co-grantee)	Medium	87%	47 acres	CT	Existing
Mid-Stream Terminal, Stonecutters Island, Hong Kong	KCTL No 479	Medium	100%	360,000	CT	Existing
River Trade Terminal, Tuen Mun, New Territories	TMTL No 393	Medium	43%	7,000,000	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases I & II)	Yantian, Shenzhen, Guangdong Province	Medium	48%	14,033,225	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases III)	Yantian, Shenzhen, Guangdong Province	Medium	43%	9,640,000	CT	2005 (85%)
Inland Container Depot and Warehousing, Guanlan, Shenzhen, China	Guanlan, Shenzhen, Guangdong Province	Medium	71%	3,591,699	D/W	Existing
Container Terminal at Jiuzhou, Zhuhai, Guangdong, China	Lovers Avenue South Zhuhai Guangdong Province	Medium	50%	1,659,592	CT	Existing
Multi purpose Terminal at Zhuhai Port, Gaolan, Zhuhai, Guangdong, China	Zhuhai Port, Zhuhai Guangdong Province	Medium	50%	2,238,891	CT	Existing
Container Terminal at Zhuchi Port, Shantou, Guangdong, China	Zhuchi Port, Shantou Guangdong Province	Medium	70%	4,582,505	CT	Existing
Container Terminals at Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai, China	Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai	Medium	37%	8,983,662	CT	Existing
Container Terminals at Beilun, Ningbo, Zhejiang, China	Beilun, Ningbo, Zhejiang Province	Medium	49%	8,140,591	CT	Existing
Container Terminal at San Shan Port, Nanhai, Guangdong, China	San Shan Island, Nanhai Guangdong Province	Medium	50%	4,256,425	CT	Existing
Container Terminal at Gaosha Port, Jiangmen, Guangdong, China	Gaoshawei, Baishi Administration Area, Jiangmen Guangdong Province	Medium	50%	1,337,675	CT	Existing
Container Terminal at Haicang Port, Xiamen, Fujian, China	Haicang Port Zone, Xiamen, Fujian Province	Medium	49%	5,016,444	CT	Existing
Container Terminal at Yangon, Myanmar	Thailawa, Yangon	Medium	85%	185 acres	CT	Existing
Container Terminal at Laem Chabang, Thailand	A2, Laem Chabang	Medium	88%	43 acres	CT	Existing
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 1 & CT2 Tanjung Priok, Jakarta	Medium	51%	246 acres	CT	2010 (80%)

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 3 Tanjung Priok, Jakarta	Medium	48%	76 acres	CT	Existing
Container Terminal at Port Klang, Selangor, Malaysia	Port Klang, Palau Indah	Medium	31%	1,225 acres	CT	Existing
Container Terminal at Karachi, Pakistan	Berth Nos 27 to 30 West Wharf	Medium	100%	1,544,206	CT	Existing
Container Terminal at 1116, Jwachon-dong, Dong-ku, Busan, South Korea	Busan, Busan-si	Medium	100%	160 acres	CT	Existing
Container Terminal at 624, Gamman-Dong Nam-ku, Busan, South Korea	Gamman, Busan-si	Medium	100%	37 acres	CT	Existing
Container Terminal at 775, Doi-dong, Kwangyang, Cheonnam, South Korea	Gwangyang, Kwangyang-si	Medium	100%	52 acres	CT	Existing
Container Terminal at 780-2 Doi-dong Gwangyang-si, South Korea	Gwangyang-si, South Korea					
	Phase II-1	Medium	89%	3,476,856	CT	Existing
	Phase II-2	Medium	89%	5,737,351	CT	Existing
Container Terminal at Felixstowe, United Kingdom	Felixstowe	Long	100%	540 acres	CT	Existing
	County of Suffolk	Freehold	100%	250 acres	CT	Existing
Container Terminal at Thamesport, United Kingdom	Isle of Grain County of Kent	Long	100%	210 acres	CT	Existing
Multi purpose freight & passenger port & Bathside Bay Land, Harwich, United Kingdom	Harwich	Freehold	100%	185 acres	P	Existing
	County of Essex	Freehold	100%	250 acres	CT	2010 (1%)
Container Terminal at Rotterdam, The Netherlands	Home Terminal, Rotterdam	Long	98%	170 acres	CT	Existing
	Delta Terminal, Rotterdam	Long	98%	571 acres	CT	Existing
	Delta Terminal, Rotterdam	Short	98%	44 acres	CT	Existing
	Hanno Terminal, Rotterdam	Long	98%	82 acres	CT	Existing
Container Terminal at Internacional de Contenedores Asociados de Veracruz, S A de C V Veracruz, Mexico	Recinio portuario, Zona II Puerto de Veracruz, Veracruz	Medium	100%	4,492,133	CT	Existing
Container Terminal at Ensenada International Terminal S A de C V Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	100%	1,552,508	CT	Existing
Cruise Port & Marina at Ensenada Cruiseport Village S A de C V Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	100%	2,043,011	P	Existing
Container Terminal at Terminal International de Manzanillo, S A de C.V.	Manzanillo, Mexico	Medium	100%	461,853	CT/D	Existing
Container Terminal at L.C. Terminal Portuaria de Contenedores S A de C.V.	Recinto Portuario, Lazaro Cardenas, Michoacan	Medium	51%	1,614,585	CT	Existing
Container Terminal at Buenos Aires, Argentina	Puerto Nuevo, Buenos Aires	Medium	100%	53 acres	CT	Existing
Grand Bahama International Airport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	3,495 acres	A	Existing
Port Operation at Freeport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	1,630 acres	P	Existing
Container Terminal at Freeport, Bahamas	Freeport, Grand Bahama Island	Long	60%	187 acres	CT	Existing

Lease term: Long = lease not less than 50 years; Medium = lease less than 50 years but not less than 10 years.

* *Total net floor area for UK projects*

A = Airport C = Commercial CT = Container Terminal D = Depot G = Golf Course H = Hotel I = Industrial I / O = Industrial / Office

P = Cruise Port SA = Serviced Apartment R = Residential W = Warehouse

	1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
CONSOLIDATED PROFIT AND LOSS ACCOUNT										
HK$ millions										
Turnover	35,026	36,662	44,590	51,383	55,442	57,022	61,460	75,235	104,921	**134,595**
Profit attributable to shareholders	16,504	13,692	11,658	7,461	117,968	34,348	9,874	12,252	11,677	**16,128**
Dividends	4,267	5,703	6,123	4,962	6,318	7,375	7,375	7,375	7,375	**7,375**
CONSOLIDATED BALANCE SHEET										
HK$ millions										
Assets										
Non-current assets										
Fixed assets	55,513	64,565	78,436	79,340	87,484	89,376	107,728	149,133	181,507	**210,937**
Telecommunications licences	–	–	–	–	–	80,039	78,152	88,519	97,926	**102,138**
Telecommunications 3G customer acquisition costs	–	–	–	–	–	–	–	–	1,647	**6,823**
Goodwill	–	–	–	–	–	–	333	7,838	8,583	**10,241**
Associated companies	14,166	16,286	18,992	19,786	25,395	37,987	36,972	45,277	51,036	**55,332**
Interests in joint ventures	7,523	8,871	34,239	39,610	34,214	38,693	37,300	33,730	37,593	**35,963**
Deferred tax assets	28	51	53	80	425	720	1,177	2,032	9,775	**19,384**
Other non-current assets	1,088	730	1,547	3,335	3,261	7,645	7,851	6,550	7,682	**8,230**
Liquid funds and other listed investments	14,877	21,821	25,334	21,956	172,906	127,446	71,204	75,597	63,929	**66,503**
Total non-current assets	93,195	112,324	158,601	164,107	323,685	381,906	340,717	408,676	459,678	**515,551**
Net current assets	280	3,365	17,161	6,878	19,656	17,049	47,329	5,222	71,617	**50,158**
Total assets less current liabilities	93,475	115,689	175,762	170,985	343,341	398,955	388,046	413,898	531,295	**565,709**
Non-current liabilities										
Long term liabilities	26,174	34,459	72,720	71,880	80,662	107,004	129,018	141,569	230,182	**254,779**
Deferred tax liabilities	3,634	4,236	6,957	7,319	8,280	8,749	10,326	10,478	10,599	**11,893**
Pension obligations	–	–	–	–	–	–	131	730	960	**1,143**
Total non-current liabilities	29,808	38,695	79,677	79,199	88,942	115,753	139,475	152,777	241,741	**267,815**
Minority interests	5,275	7,684	11,804	10,085	9,884	35,881	36,773	41,555	45,537	**37,053**
Net assets	58,392	69,310	84,281	81,701	244,515	247,321	211,798	219,566	244,017	**260,841**
Capital and reserves										
Share capital	904	905	969	969	969	1,066	1,066	1,066	1,066	**1,066**
Reserves	57,488	68,405	83,312	80,732	243,546	246,255	210,732	218,500	242,951	**259,775**
Shareholders' funds	58,392	69,310	84,281	81,701	244,515	247,321	211,798	219,566	244,017	**260,841**
PERFORMANCE DATA										
Earnings per share (HK$)	4.15	3.44	2.74	1.75	27.67	8.06	2.32	2.87	2.74	**3.78**
Dividends per share (HK$)	1.07	1.36	1.44	1.16	1.48	1.73	1.73	1.73	1.73	**1.73**
Dividend cover	3.9	2.5	1.9	1.5	18.7	4.7	1.3	1.7	1.6	**2.2**
Return on average shareholders' funds (%)	28.3	21.4	15.2	9.0	71.9	14.0	4.3	5.7	5.0	**6.4**
Current ratio	1.0	1.2	1.7	1.3	1.6	1.4	2.0	1.1	1.8	**1.6**
Net debt/Net total capital (%) (2)	16.3	12.3	24.1	32.0	0.3	N/A	0.7	16.2	23.6	**32.8**
Net assets per ordinary share – book value (HK$)	14.7	17.4	19.8	19.2	57.4	58.0	49.7	51.5	57.2	**61.2**

(1) *Prior years' figures are restated to reflect the Group's change in accounting policies in 2004. (See Principal Accounting Policies Note 1a)*

(2) *Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total borrowings plus share capital, reserves and minority interests net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.*

Information for Shareholders

Listing

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited and are traded on the London Stock Exchange. American Depository Receipts representing ordinary shares are traded on the New York Stock Exchange.

Stock Codes

The Stock Exchange of Hong Kong Limited	013
London Stock Exchange	HWH
American Depository Receipts	HUWHY
CUSIP Number	448415208

Financial Calendar

Closure of Register of Members	12 May 2005 - 19 May 2005
Annual General Meeting	19 May 2005
Extraordinary General Meeting	19 May 2005
Payment of 2004 Final Dividend	20 May 2005
Interim Results Announcement	August 2005

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Investor Information

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