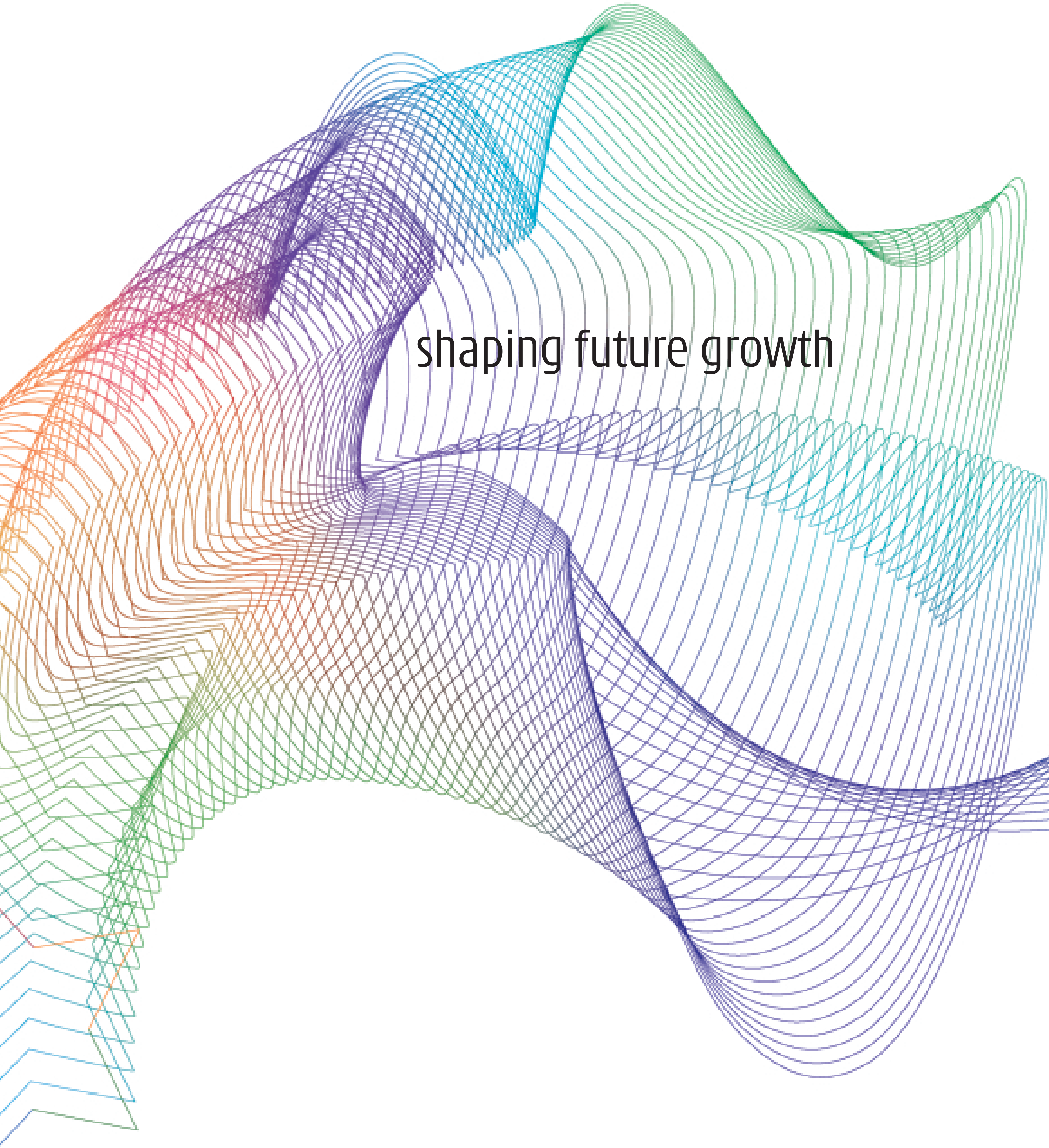
Hutchison Whampoa Limited

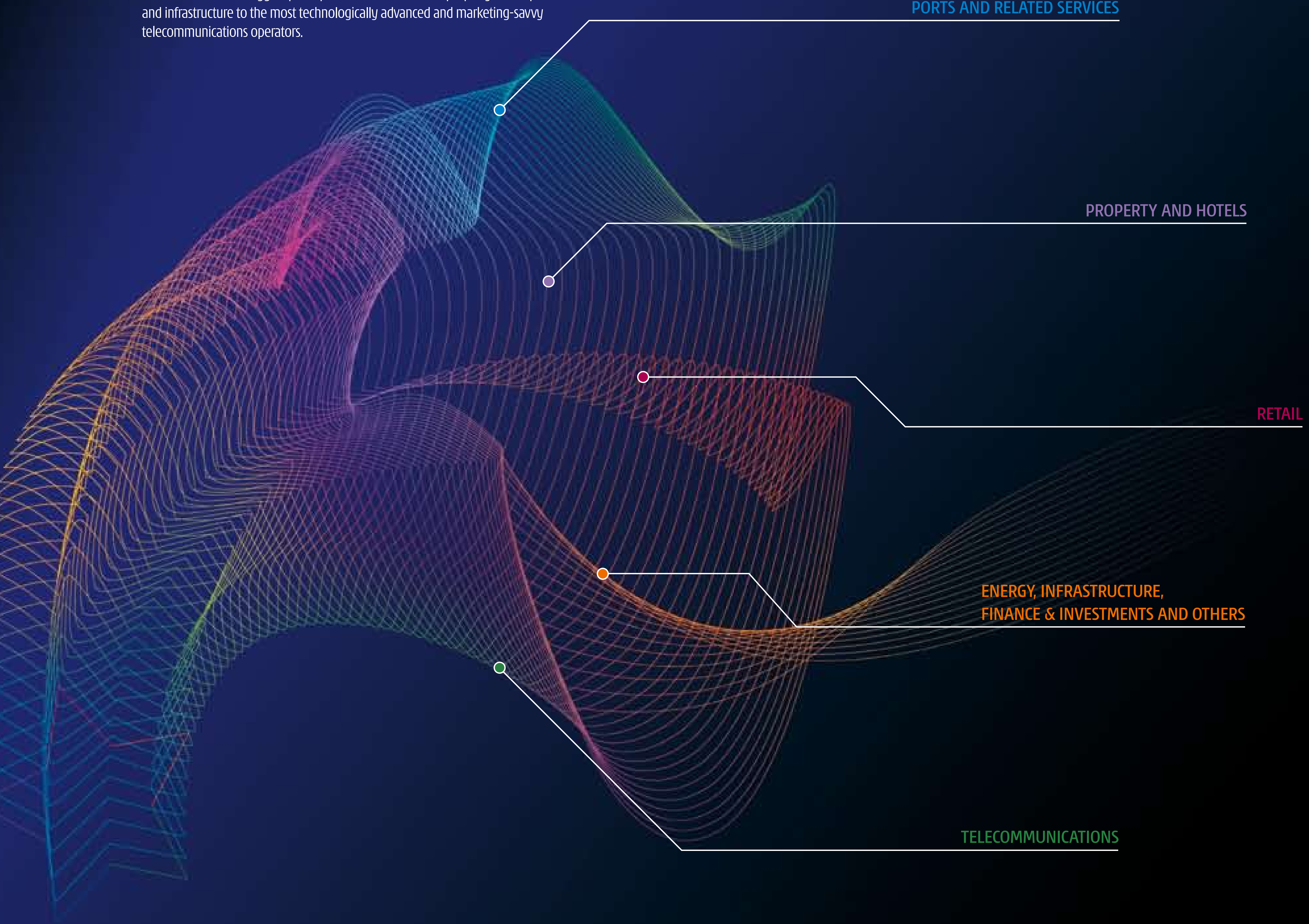
annual report 2006

Stock Code: 013



shaping future growth

Hutchison Whampoa Limited is a leading multi-national conglomerate with operations in 56 countries. We have five core businesses ranging from some of the world's biggest port operators and retailers to property development and infrastructure to the most technologically advanced and marketing-savvy telecommunications operators.



CORPORATE INFORMATION

HUTCHISON WHAMPOA LIMITED

BOARD OF DIRECTORS

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

Deputy Chairman

LI Tzar Kuoi, Victor, BSc, MSc

Group Managing Director

FOK Kin-ning, Canning, BA, DFM, CA (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

KAM Hing Lam, BSc, MBA

Non-executive Directors

George Colin MAGNUS, OBE, BBS, MA

William SHURNIAK, LLD

Independent Non-executive Directors

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon),
Officier de la Légion d'Honneur,
Commandeur de l'Ordre de Léopold II,
Commandeur de l'Ordre des Arts et des Lettres

Holger KLUGE, BCom, MBA

William Elkin MOCATTA, FCA
(Alternate to Michael David Kadoorie)

Simon MURRAY, CBE

OR Ching Fai, Raymond, JP

WONG Chung Hin, CBE, JP
(Also Alternate to Simon Murray)

AUDIT COMMITTEE

WONG Chung Hin *(Chairman)*

Holger KLUGE

William SHURNIAK

REMUNERATION COMMITTEE

LI Ka-shing *(Chairman)*

Holger KLUGE

WONG Chung Hin

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCS, FCIS

QUALIFIED ACCOUNTANT

Donald Jeffrey ROBERTS, BCom, CA, CPA

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

ABN AMRO Bank N.V.

Standard Chartered Bank (Hong Kong) Limited

CONTENTS

Corporate Profile

Hutchison Whampoa Limited ("HWL") is a multi-national conglomerate committed to innovation and technology. We operate in 56 countries and employ more than 220,000 employees worldwide. We have a strong commitment to the highest standards of corporate governance, transparency and accountability, which have been recognised by the receipt of numerous awards and commendations. Our operations consist of five core businesses – ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications.

Ports and Related Services

We are one of the world's largest privately owned container terminal operators, holding interests in 45 ports comprising 257 berths in 23 countries, including operations in five of the seven busiest container ports in the world. In 2006, our ports handled a total throughput of 59.3 million twenty-foot equivalent units ("TEUs").

Property and Hotels

From landmark office buildings to luxury residential properties, we develop and invest in leading real estate projects. We hold a rental portfolio of approximately 16 million square feet of office, commercial, industrial and residential premises, principally in Hong Kong, as well as interests in a number of joint-venture developments in Mainland China and selective overseas markets. We also have ownership interests in 12 premium hotels in Hong Kong, the Mainland and the Bahamas.

Retail

A S Watson, the Group's retail arm, is the world's largest health and beauty retailer in terms of store number with over 7,700 retail stores in 36 markets. Its diverse retail operations range from personal care, health and beauty chains, luxury perfumeries and cosmetics retailing to supermarkets, electronic goods retail chains and airport retail concessions. It also manufactures and distributes bottled water and beverage products in Hong Kong and the Mainland.

Telecommunications

We are one of the world's leading operators of mobile telecommunications and one of the first third-generation ("3G") mobile operators in the world. Our operations offer telecommunication services including 3G multi-media mobile, second-generation ("2G") mobile and fixed-line, plus Internet and broadband services over fibre optic networks.

Energy, Infrastructure, Finance & Investments and Others

The Group's investments in energy and infrastructure are principally in Hong Kong, the Mainland, Australia, Canada and the United Kingdom. Cheung Kong Infrastructure is a Hong Kong-listed leading investor in the global infrastructure arena with diversified investments in energy, transportation, water infrastructure and infrastructure materials businesses. Husky Energy is a Canadian-listed integrated energy and energy-related company. The results of the Group's treasury operations, Hutchison Whampoa (China), Hutchison China MediTech, Hutchison Harbour Ring and TOM Group are also reported under this division.

Business Highlights

January

Telecommunications

Hutchison Telecommunications International Limited announces that Hutchison Essar Limited ("Hutchison Essar") has completed the acquisition of BPL Mobile Cellular Limited. With the completion of this acquisition, Hutchison Essar operates in 16 of the 23 defined licence areas in India.

February

Energy, Infrastructure, Finance & Investments and Others

The Hongkong Electric Company, Limited commissions the city's first wind power station "Lamma Winds" and celebrates the milestone by establishing a HK$1 million fund to support the study and development of renewable energy in the local educational sector.

March

Energy, Infrastructure, Finance & Investments and Others

PMW Retail Group Limited, a subsidiary of Hutchison Harbour Ring Limited, celebrates the grand opening of the first Warner Bros. Studio Store in Shanghai.

April

Ports and Related Services

The Group announces a strategic alliance with Singapore's PSA International Pte Limited ("PSA") by entering into an agreement to place a 20% equity interest in the Group's ports business to PSA.

Energy, Infrastructure, Finance & Investments and Others

Husky Energy announces an acquisition of 23,680 acres of oil sands leases adjacent to its Saleski property.

May

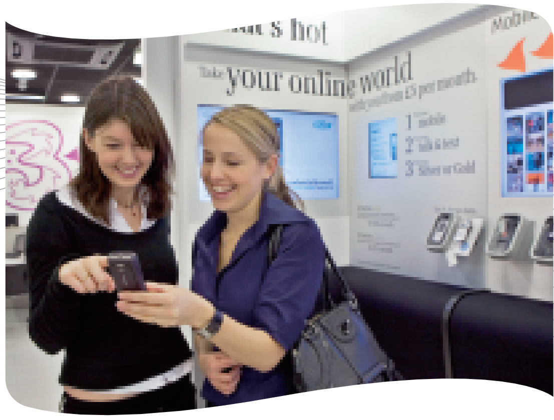
Energy, Infrastructure, Finance & Investments and Others

Hutchison China MediTech Limited, the Group's Mainland based healthcare business, commences trading on the Alternative Investment Market of the London Stock Exchange.

June

Energy, Infrastructure, Finance & Investments and Others

Husky Energy announces a significant natural gas discovery in the South China Sea, approximately 250 kilometres south of Hong Kong.



Telecommunications
3 Italia announces the first Digital Video Broadcast – Handheld ("DVB-H") service offering in the world with seven mobile channels by Rai, Mediaset, Sky and two in-house produced channels.

Property and Hotels
Hutchison Whampoa Properties successfully bids for a site of 312,220 square metres at Qingdao Xiao Gang Wan Project in Shandong for residential and commercial development.

Telecommunications
Hutchison Telecommunications International Limited enters into agreements for the acquisition of a further 5.11% stake in Hutchison Essar from affiliates of the Hinduja Group for US$450 million.

July

Energy, Infrastructure, Finance & Investments and Others
Husky Energy acquires a further 14,560 acres of oil sands leases adjacent to its Saleski property.

August

Ports and Related Services
Hutchison Port Holdings announces the completion of the acquisition of Terminal Catalunya S.A., a container terminal in the Port of Barcelona, Spain.

September

Ports and Related Services
Hongkong International Terminals celebrates the record-breaking milestone of achieving 100 million TEUs.

October

Telecommunications
Hutchison Telephone (Macau) Company Limited announces that it has been awarded a 3G licence by the Direcção dos Serviços de Regulação de Telecomunicações.

Telecommunications
3 UK acquires 95 prime-location retail stores in shopping centres and high street locations across the UK.

Property and Hotels
Hutchison Whampoa Properties acquires the land use rights of an 80,000-square-metre site at Shanghai Pudong area for office development.

November

Retail
A S Watson Group completes the acquisition of a 65 per cent stake in DC, Ukraine's largest health and beauty retail chain in terms of store number. It also creates a partnership with Asnova Holding, a leading local wholesale and logistics operator.

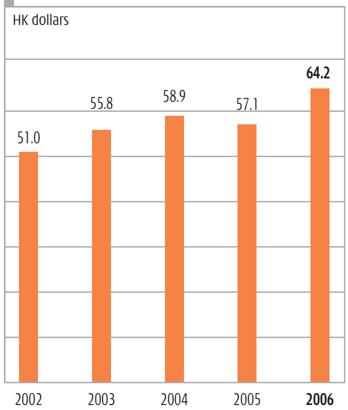
Telecommunications
3 Group announces the global launch of the X-Series, in partnership with Skype, Yahoo!, Microsoft, Google, eBay, Nokia, Sony Ericsson, Orb and Sling, to unleash the true power of broadband Internet on mobile handsets.

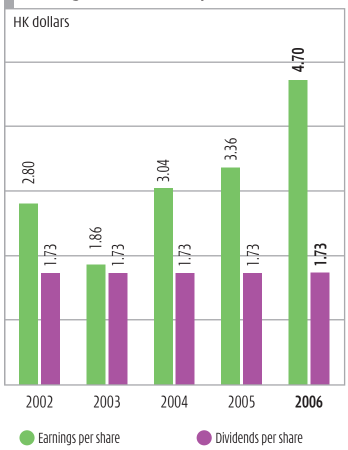
Ports and Related Services
Hutchison Port Holdings announces a 30-year concession agreement with the Manta Port Authority to build and operate a new container terminal, Terminales Internacionales de Ecuador S.A., at the Port of Manta, Ecuador.

December

Property and Hotels
Hutchison Whampoa Properties acquires a prime site of 177,262 square metres in Shanghai Putuo District for residential and commercial development.

FINANCIAL HIGHLIGHTS





	2006 HK$ millions	As restated[5] 2005 HK$ millions	Change
Profit and loss account highlights			
Total Revenue [1]	**267,664**	241,862	+ 11%
Earnings before interest expense and tax ("EBIT") [2]	**50,887**	32,598	+ 56%
Profit attributable to shareholders of the Company	**20,030**	14,343	+ 40%
Balance sheet highlights			
Fixed assets, investment properties, leasehold land and telecommunications licences	**306,208**	279,798	+ 9%
Total cash, liquid funds and other listed investments	**130,402**	110,386	+ 18%
Bank and other debts	**283,040**	259,482	+ 9%
Net debt [3]	**152,638**	149,096	+ 2%
Total assets	**677,516**	597,064	+ 13%
Total shareholders' funds	**273,794**	243,554	+ 12%
Cash flow statement highlights			
Earnings before interest and other finance costs, tax, depreciation and amortisation ("EBITDA") [4] and before telecommunications expensed prepaid customer acquisition costs ("CACs")	**96,853**	73,314	+ 32%
EBITDA after telecommunications expensed prepaid CACs	**91,359**	61,360	+ 49%
Funds from operations before capital expenditures, telecommunications expensed prepaid and postpaid CACs and working capital changes	**31,096**	25,872	+ 20%
Capital expenditures	**23,908**	27,006	– 11%
Additions to telecommunications postpaid CACs	**15,223**	12,632	+ 21%
Key ratios and other information			
Net debt to net total capital ratio [3]	**33%**	36%	– 3%
EBITDA before telecommunications expensed prepaid CACs net interest coverage ratio	**7.9 times**	6.5 times	+ 1.4 times
Earnings per share for profit attributable to shareholders of the Company (HK$)	**4.70**	3.36	+ 40%
Dividends per share (HK$)	**1.73**	1.73	–

(1) Total revenue represents revenue of the Company and subsidiary companies as well as share of revenue of associated companies and jointly controlled entities.

(2) EBIT or LBIT represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. 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 (loss) from operations. The Group considers EBIT (LBIT) 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 in Hong Kong 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 (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(3) Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total bank and other debts plus total equity and loans from minority shareholders net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

(4) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others 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.

(5) The comparatives have been restated in accordance with Hong Kong Financial Reporting Standard 3 (See note 2 to the accounts).

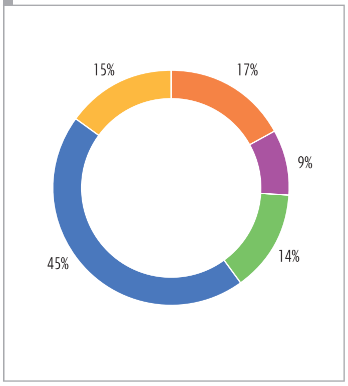
Total revenue (including share of associates and JCE)	2006 HK$ millions	As restated[5] 2005 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**33,041**	29,917	+ 10%
Property and hotels	**10,717**	10,265	+ 4%
Retail	**99,149**	88,780	+ 12%
Cheung Kong Infrastructure	**14,822**	16,590	− 11%
Husky Energy	**29,981**	22,879	+ 31%
Finance & investments and others	**12,614**	10,530	+ 20%
Hutchison Telecommunications International	**16,672**	25,399	− 34%
Subtotal – established businesses	**216,996**	204,360	+ 6%
TELECOMMUNICATIONS – 3 Group	**50,668**	37,502	+ 35%
Total	**267,664**	241,862	+ 11%

EBIT (including share of associates and JCE)	2006 HK$ millions	2005 HK$ millions	Change
ESTABLISHED BUSINESSES			
Ports and related services	**11,395**	10,219	+ 12%
Property and hotels	**5,667**	3,939	+ 44%
Retail	**2,720**	3,261	− 17%
Cheung Kong Infrastructure	**6,136**	6,675	− 8%
Husky Energy	**8,305**	6,140	+ 35%
Finance & investments and others	**6,920**	5,513	+ 26%
Hutchison Telecommunications International	**2,648**	2,789	− 5%
EBIT – established businesses	**43,791**	38,536	+ 14%
TELECOMMUNICATIONS – 3 Group			
EBIT before depreciation, amortisation and telecommunications expensed prepaid CACs	**13,223**	1,825	+ 625%
Telecommunications expensed prepaid CACs	**(5,494)**	(11,444)	+ 52%
EBIT (LBIT) before depreciation and amortisation and after telecommunications expensed prepaid CACs	**7,729**	(9,619)	+ 180%
Depreciation	**(9,501)**	(9,086)	− 5%
Amortisation of licence fees and other rights	**(6,503)**	(6,060)	− 7%
Amortisation of telecommunications postpaid CACs	**(11,721)**	(11,515)	− 2%
LBIT – Telecommunications – **3** Group	**(19,996)**	(36,280)	+ 45%
Change in fair value of investment properties	**3,802**	5,225	− 27%
Profit on disposal of investments and others	**23,290**	25,117	− 7%
Total	**50,887**	32,598	+ 56%

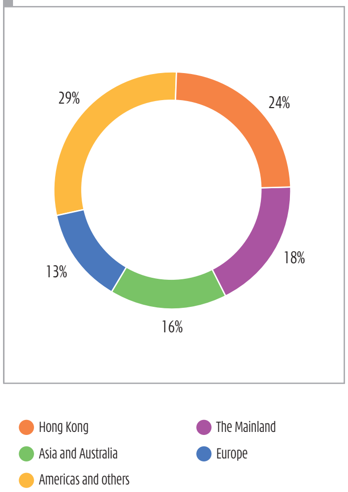
Profit attributable to shareholders of the Company	2006 HK$ millions	2005 HK$ millions	Change
EBIT			
Company and subsidiaries	**27,657**	14,938	+ 85%
Associates and JCE	**23,230**	17,660	+ 32%
	50,887	32,598	+ 56%
Interest and other finance costs			
Company and subsidiaries	**(16,601)**	(15,405)	− 8%
Associates and JCE	**(3,745)**	(2,751)	− 36%
	(20,346)	(18,156)	− 12%
Profit before tax	**30,541**	14,442	+ 111%
Tax – Company and subsidiaries			
Current tax	**(1,560)**	(2,511)	+ 38%
Deferred tax	**(1,417)**	4,538	− 131%
Tax – Associates and JCE			
Current tax	**(3,273)**	(1,608)	− 104%
Deferred tax	**(901)**	(1,285)	+ 30%
	(7,151)	(866)	− 726%
Loss (profit) attributable to minority interests			
Company and subsidiaries	**(2,596)**	789	− 429%
Associates and JCE	**(764)**	(22)	− 3373%
Profit attributable to shareholders of the Company	**20,030**	14,343	+ 40%

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

Total revenue by Geographical Location 2006



EBIT - Established Businesses by Geographical Location 2006



Chairman's Statement

Overall, both the Group's established businesses and the **3** Group recorded growth and improved results in 2006. The Group's total revenue grew 11% to HK$267,664 million. Total revenue and recurring earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the Group's established businesses, grew 6% and 14% respectively to HK$216,996 million and HK$43,791 million, despite a lower contribution from Hutchison Telecommunications International ("HTIL") which was deconsolidated after it became a 49% associated company in the second half of 2005. During the year, the **3** Group reported narrowing losses from the continued growth in its customer base and revenue. The **3** Group's total revenue increased by 35% to HK$50,668 million and LBIT narrowed 45% to HK$19,996 million.

Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK$6.75 per share after completion. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million and its share of the cash dividend will be HK$15,976 million.

Results

The Group's audited profit attributable to shareholders for the year amounted to HK$20,030 million, a 40% increase compared to last year's profit of HK$14,343 million. Earnings per share amounted to HK$4.70 (2005 - HK$3.36), an increase of 40%. These results include a profit on revaluation of investment properties of HK$3,802 million and a profit on disposal of investments totalling HK$23,290 million, comprising a profit of HK$24,380 million realised from the cash disposal of a 20% equity interest in the ports and related services division to PSA International Pte Ltd ("PSA"); a profit of HK$751 million from the disposal of the data centres by **3** UK; and a one-time charge of HK$1,841 million relating to the closure of listed Hutchison Telecommunications Australia's ("HTAL") CDMA network and migration of its customers to its 3G network.

Dividends

The Board recommends the payment of a final dividend of HK$1.22 per share in respect of 2006 (2005 - HK$1.22), to those persons registered as shareholders on 17 May 2007. This, together with the interim dividend of HK$0.51 per share paid on 6 October 2006, give a total dividend of HK$1.73 per share for the year (2005 – HK$1.73). The proposed final dividend will be paid on 18 May 2007 following approval at the Annual General Meeting.

> "The Group's total revenue grew 11% to HK$267,664 million."

Established Businesses

Ports and Related Services

The ports and related services division recorded another year of steady growth. Total revenue grew 10% to HK$33,041 million. Total throughput increased 15% to 59.3 million TEUs (twenty-foot equivalent units). Major contributors to throughput growth and their respective growth rates were:

- the Shanghai area ports, 48%;
- Yantian port, 17%;
- Westports in Klang, Malaysia, 24%;
- Kwai Tsing terminals in Hong Kong, 5%;

together with the recently acquired Terminal Catalunya ("TERCAT") in Barcelona, Spain.

The division's EBIT increased 12% to HK$11,395 million. Major contributors to EBIT growth and their respective growth rates were:

- the Shanghai area ports, 30%;
- Yantian port, 10%;
- Panama ports container terminals ("PPC"), 33%;

together with the first-time EBIT contribution of TERCAT.

The division's EBIT growth was partially offset by 5% lower EBIT from Kwai Tsing terminals. The division contributed 15% and 26% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, the division continued to expand and enhance its existing facilities by improving efficiencies, developing recently acquired terminals and selectively pursuing new investment opportunities. Construction is progressing satisfactorily to expand the facilities in Yantian, Gaolan in Zhuhai, Rotterdam in the Netherlands, Laem Chabang in Thailand, ports in Panama as well as in Lazaro Cardenas in Mexico. The construction of a new seven-berth terminal facility in Barcelona is also underway. In November, the Group was awarded a 30-year concession by the Manta Port Authority to build and operate a new container terminal at the Port of Manta, Ecuador. The initial phase of this four-berth terminal is scheduled to be operational in 2007. In February this year, the Group entered into agreements with Saigon Investment Construction & Commerce Company to jointly build and operate a new container terminal in Ba Ria Vung Tau Province, Vietnam for a concession period of 50 years. This three-berth terminal is expected to commence operation in 2011. Currently, this division operates in five of the seven busiest container ports in the world, with interests in a total of 45 ports comprising 257 berths in 23 countries. The division will continue to seek investment and expansion opportunities that meet its investment criteria.

Property and Hotels

The property and hotels division reported total revenue of HK$10,717 million and EBIT of HK$5,667 million, 4% and 44% better than last year respectively. This division contributed 5% and 13% respectively to the total revenue and EBIT of the Group's established businesses. Gross rental income of HK$2,807 million was 11% higher than last year, primarily due to increased rental income from investment properties in Hong Kong, reflecting higher lease renewal rates, particularly for office premises. Although development profits declined, this was mainly due to the effect of a provision made against a Hong Kong development property. Excluding the effects of this provision, development profits were in line with last year. Development profits arose primarily from the sale of residential units of Cairnhill Crest in Singapore and various projects in the Mainland including Shanghai Regency Park, The Greenwich in Beijing and Guangzhou Cape Coral. In addition, a profit before taxation of HK$1,428 million was recorded being the Group's share of a joint venture's profit before taxation from the sale of an investment property in Japan.

The property division will continue to focus on actively seeking development opportunities, primarily in the Mainland where it has substantial landbank interests. The Group's current share of landbank interests can be developed into 92 million square feet of mainly residential property, of which 96% is situated in the Mainland, 3% in the UK and overseas and 1% in Hong Kong.

The Group's hotel operations reported EBIT 33% better than last year primarily due to increased demand in Hong Kong.

Retail

Total revenue for the Group's retail division was HK$99,149 million, a 12% increase, mainly due to full-year contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired last year; to revenue growth from certain health and beauty operations, including Rossmann in Germany and Poland, Superdrug in the UK, Kruidvat in the Benelux countries and Watsons in the Mainland; and to PARKnSHOP sales growth in the Mainland. EBIT from this division totalled HK$2,720 million, 17% below last year, mainly due to the inclusion of normal seasonal losses of Marionnaud in the first quarter of the current year's results which were not in last year's comparable results because Marionnaud was acquired in April 2005, and also due to non-recurring restructuring charges incurred by Marionnaud and the UK and Benelux health and beauty businesses. Excluding these losses and restructuring charges, like-to-like EBIT declined 3% due to decreases in the health and beauty operations in the UK, the Benelux countries and Asia, partially offset by the improved results from PARKnSHOP, Watsons and Fortress operations in Hong Kong. The retail division contributed 45% and 6% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, the retail division continued to focus on managing its worldwide store portfolio to integrate its acquired businesses, strengthen store concepts and consolidate market position against keen competition. As its acquisition plans were largely completed in 2005, the division's expansion activity was significantly reduced in 2006 and the total number of retail outlets increased only moderately by 5% during the second half of 2006. Currently, this division operates over 7,700 retail outlets in 36 markets worldwide. The retail division will continue to focus on improving margins in its existing businesses. Expansion activity in 2007 will continue to be limited, and growth is expected to be mainly organic and focused on the Mainland market.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover, including its share of jointly controlled entities' turnover, of HK$4,799 million, 1% above last year, and profit attributable to shareholders of HK$3,670 million, 39% below last year's profit. The attributable profit for 2005 included a one-time profit of HK$3,699 million on partial disposal of the Australian electricity distribution businesses as well as provisions totalling HK$1,727 million. CKI contributed 7% and 14% respectively to the total revenue and EBIT of the Group's established businesses for the year. CKI continues to seek infrastructure investment opportunities globally that meet its investment criteria.

Husky Energy ("Husky"), an associated company listed in Canada, announced strong results, reporting total revenue of C$12,664 million and net earnings of C$2,726 million, 24% and 36% above last year respectively, mainly reflecting strong crude oil prices, increased production volumes and the full-year contribution by the White Rose oil field which commenced production in the fourth quarter of 2005. Total production increased 14% from 315,000 barrels of oil equivalent per day ("boe/day") in 2005 to 360,000 boe/day in 2006. In light of the healthy financial condition and earnings, Husky increased its quarterly dividend payment to C$0.50 per share commencing in the third quarter of 2006 and a special dividend of C$0.50 per share for 2006 was declared in February this year. Husky contributed 14% and 19% respectively to the total revenue and EBIT from the Group's established businesses for the year.

Husky's Tucker Oil Sands project in Alberta achieved first oil at the end of 2006 and production is expected to increase over the next few years as it becomes fully operational. In September, the Lloydminster Ethanol Plant in Saskatchewen, Western Canada, was officially opened and full production is expected in 2007. In November, Husky announced the successful completion of the White Rose 2006 delineation programme which contributed possible reserves of 138 million barrels of light crude oil to White Rose which had a combined proved, probable and possible reserves of 379 million barrels at the end of 2006.

> "The Group's profit attributable to shareholders for the year amounted to HK$20,030 million, a 40% increase."

The Group's EBIT from its finance and investments operations mainly represents returns earned on the Group's substantial holdings of cash and liquid investments together with the Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. EBIT for these operations amounted to HK$6,920 million, an increase of 26%, mainly due to profits on disposal of certain equity investments and a dilution gain of HK$307 million realised on the initial public offering of Hutchison China MediTech on the Alternative Investment Market of the London Stock Exchange. Finance and investments operations contributed 16% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments increased by 18% from 2005 to total HK$130,402 million as at 31 December 2006, consolidated debt was HK$283,040 million, and the consolidated debt net of cash and liquid investments was HK$152,638 million.

Hutchison Telecommunications International

Hutchison Telecommunications International, a listed associated company, announced full-year 2006 turnover of HK$33,378 million, a 37% increase over last year and full-year 2006 profit attributable to shareholders of HK$201 million, compared to a loss attributable to shareholders of HK$768 million in 2005. The improvement was mainly due to the improved EBIT contributions from the mobile operations in India, Partner Communications in Israel and in Hong Kong, partially offset by start-up losses in the Vietnam and Indonesia businesses. At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase over the beginning of the year, mainly reflecting strong customer growth in the India market. The Group's share of HTIL's turnover and EBIT amounted to 8% and 6% of the total revenue and EBIT of the Group's established businesses respectively.

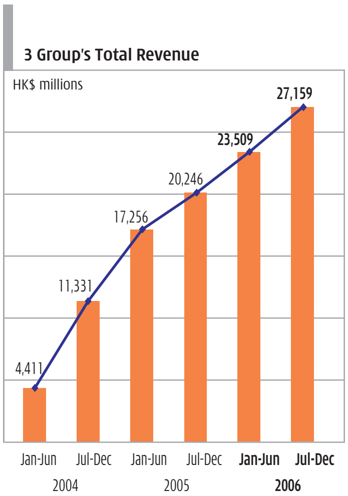
Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK$6.75 per share after completion. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million and its share of the cash dividend will be HK$15,976 million.

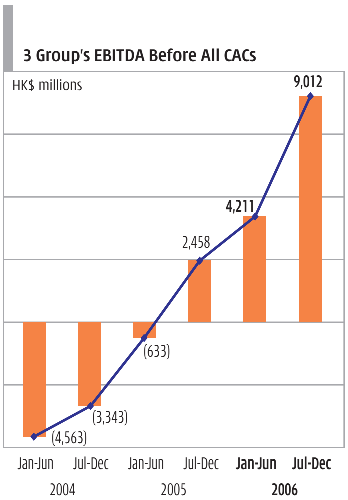
Telecommunications – 3 Group

During the year, the **3** Group continued to improve its operating and financial results. The Group's registered 3G customer base increased 30% during the year and currently stands at over 14.7 million customers. Total revenue of the **3** Group grew 35% to HK$50,668 million in 2006, reflecting a successful strategy of capturing higher-value contract customers, which accounted for 45% of the total customers at the end of 2006, compared to 40% at the end of last year. LBIT for the year improved to HK$19,996 million, a 45% reduction compared to last year.

“Earnings per share amounted to HK$4.70, an increase of 40%.”

The charts below show the continued growth trend of the **3** Group's revenue and earnings before interest expense and finance costs, taxation, depreciation and amortisation and before deducting all customer acquisition costs (“EBITDA before all CACs”).





Average revenue per active user on a trailing 12-month average active customer basis (“ARPU”) was €45.63 for 2006, an 8% increase compared to 2005. The proportion of active customers of the **3** Group's registered customer base was approximately 79% at the end of 2006. As competition for new customers remained strong in all of our markets throughout the year, the **3** Group has increased its usage of promotional discounts on contract tariff plans. It is expected that the level of these discounts, which averaged below 4% of ARPU in 2006, will tactically increase this year, as required by specific market needs.

Another encouraging trend is the proportion of revenue derived from the higher-margin non-voice services, which continued to grow in 2006, increasing 5 percentage-points to 30% of ARPU. The average non-voice component of ARPU rose from €10.47 last year to €13.70. Despite the increasingly competitive market, this trend is expected to be maintained during 2007 as the benefits of strategic alliances entered into during 2006 become increasingly apparent. In partnering with global giants of the Internet including Skype, Sling Media, Yahoo!, Google, eBay, Microsoft and Orb amongst others, the launch of the X-Series portfolio of services by the **3** Group during the year represents a significant step towards mobile-fixed broadband convergence. With a flat-access fee, users can enjoy unlimited access to the most popular Internet applications via handsets anywhere and anytime. In addition, customers can also watch programmes of their choice from their home television and access their home personal computers remotely via their handsets. Our networks are being fully upgraded to enable High Speed Downlink Packet Access (“HSDPA”) and competitively priced high-speed handsets, data cards and other wireless broadband access devices are becoming available and are offered on this service in our markets.

Despite the intense competition, average monthly customer churn reduced from the 3.2% reported for the first half of 2006 to average 2.6% in the second half and averaged 2.9% for the full year. Management is focused on continued churn reduction through changes in marketing and sales strategies, increasing customer satisfaction with the quality of our networks, continuing development and roll-out of groundbreaking services, as well as offering a full range of leading edge handsets and devices.

The **3** Group's weighted average customer acquisition cost, on a 12-month trailing basis, continued to trend downwards from €293 in 2005 and €262 at 30 June to €250 for 2006. This cost reduction is favourable given the increased focus during 2006 on higher-value contract markets where the customer acquisition costs are typically higher than on prepaid markets.

Key Business Indicators

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

	Customer Base					
	Registered Customers at 21 March 2007 ('000)			Registered Customer Growth (%) from 31 December 2005 to 31 December 2006		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	5,365	1,825	**7,190**	18%	65%	**27%**
UK & Ireland	1,583	2,333	**3,916**	4%	22%	**14%**
Australia(1)	151	1,170	**1,321**	59%	96%	**90%**
Sweden & Denmark	94	628	**722**	-19%	64%	**46%**
Austria	120	306	**426**	16%	44%	**35%**
3 Group Total	7,313	6,262	**13,575**	15%	47%	**28%**
Hong Kong(2)	15	804	**819**	500%	61%	**63%**
Israel(1)	-	326	**326**	-	167%	**167%**
Total	7,328	7,392	**14,720**	15%	51%	**30%**

	Customer Revenue Base					
	Revenue for the 12 months ended 31 December 2006 ('000)			Revenue Growth (%) compared to the 12 months ended 31 December 2005		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	€1,144,071	€927,765	**€2,071,836**	16%	61%	**33%**
UK & Ireland	£147,123	£1,372,496	**£1,519,619**	-23%	50%	**37%**
Australia	A$65,198	A$783,718	**A$848,916**	87%	75%	**76%**
Sweden & Denmark	SEK55,668	SEK2,577,177	**SEK2,632,845**	1%	41%	**40%**
Austria	€6,842	€165,077	**€171,919**	-9%	32%	**30%**
3 Group Total	€1,412,163	€3,857,230	**€5,269,393**	9%	53%	**38%**

	12-month Trailing Average Revenue per Active User ("ARPU")(3) to 31 December 2006					
	Total				Non-voice	
	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2005	ARPU	ARPU %
			Local Currency/HK$		Local Currency/HK$	
Italy	€25.38	€58.41	**€33.99/332**	-3%	€11.84/116	**35%**
UK & Ireland	£18.07	£56.05	**£46.57/670**	35%	£13.44/193	**29%**
Australia	A$44.24	A$74.16	**A$70.50/413**	-10%	A$17.22/101	**24%**
Sweden & Denmark	SEK61.71	SEK460.24	**SEK404.33/430**	6%	SEK83.95/89	**21%**
Austria	€17.98	€55.47	**€51.22/501**	-5%	€9.43/92	**18%**
3 Group Average	€25.23	€64.77	**€45.63/447**	8%	€13.70/134	**30%**

Note 1: *Active customers as at 31 December 2006 announced by listed subsidiary HTAL and listed associate Partner Communications updated for net additions to 21 March.*

Note 2: *Customers as announced by listed associate HTIL as at 20 March.*

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

Highlights for the **3** Group are as follows:

Italy

3 Italia has continued to improve its market share and increased its registered customers by 27% in 2006 to total 7.08 million at 31 December 2006 and currently stands at 7.19 million. This total includes over 400,000 customers using the Digital Video Broadcast-Handheld ("DVB-H") Mobile Television services that was launched during the year. Revenues, in local currency, increased 33% and EBITDA before all CACs increased 151%. In addition, **3** Italia achieved a major financial milestone and reported its first year of positive EBITDA after all CACs in 2006. Active customers as a proportion of the total customer base averaged 76% at the end of 2006. ARPU declined marginally from €34.87 to €33.99. The usage of higher margin non-voice services increased from 30% to 35% as a proportion of ARPU, averaging €11.84 compared to €10.31 last year. The monthly churn rate improved to 2.2% compared to last year's 2.5%. The network upgrade to roll out HSDPA has progressed well and currently approximately 57% of our network has been upgraded, providing coverage in most major cities in Italy.

"3G customer base increased 30% during the year and currently stands at over 14.7 million."

UK & Ireland

3 UK continued to improve the quality of its overall customer base. In Ireland, the 3G business is at a relatively early stage of development and the registered customer base and revenues continue to grow. The combined customer base grew by 14% in 2006 to total over 3.9 million customers at 31 December 2006 and currently is at approximately the same level. The strategy to target higher-value customers resulted in a 22% growth in the contract customer base, a 50% growth in revenues from these customers and an increase in the active customers as a proportion of the total customer base to 75% at 31 December 2006. **3** UK limited its activity in the prepaid sector of the market, resulting in the decline in revenues, which now represents only 10% of its revenue base. The combined revenue of **3** UK and **3** Ireland, in British pounds, was 37% above last year and EBITDA before all CACs increased 817%. Combined ARPU increased by over 35% to £46.57, mainly due to the increased proportion of contract customers and to the increased usage of non-voice services, which rose from 23% of ARPU to 29%, or £13.44 versus £8.00 in 2005. Combined churn, which for prudence also considers the potential disconnection of inactive prepaid customers currently on the registered customer base, improved from 6.0% in the first half to 3.8% in the second half, with continuing efforts to further reduce churn. The HSDPA network upgrade in the UK will be phased to commence in major cities in the latter half of this year. During the year, the Group refinanced certain non-Sterling borrowings with Sterling notes and bank loans to create a natural currency exchange hedge against the **3** UK assets denominated in Sterling. As a result, a foreign exchange gain of HK$1,731 million was realised and recorded in **3** UK's results.

Other 3 Group Operations

In each of the other 3G operations, the operating and financial performance continues to progress:

- In Australia, the active 3G customer base of listed Hutchison Telecommunications Australia, including the successful migration of 2G customers on closure of its CDMA network, grew 90% in 2006 and currently stands at 1.3 million. Revenue from the 3G operations, in local currency, increased 76% compared to last year. ARPU declined 10% to A$70.50 and the proportion of non-voice remained in line with 2005 at 24% reflecting the rapid growth of the customer base through 2G customer migration. In addition, HTAL's 3G operations achieved a major cash flow milestone of positive EBITDA after all CACs on a sustainable monthly basis commencing in July 2006. It is expected that positive EBITDA after all CACs will be maintained in 2007.

- In Sweden & Denmark, the registered customer base grew 46% during 2006. Combined revenues, in Swedish Kronas, grew 40%. In addition, the operation in Sweden achieved its first year positive EBITDA before all CACs, offset by start-up losses in Denmark. Combined ARPU increased 6% to SEK404.33 (HK$430) and the proportion of non-voice ARPU increased from 16% in 2005 to 21%. The HSDPA network upgrade has been completed in Denmark and over 30% of our network in Sweden has also been upgraded.

- In Austria, the registered customer base grew 35% during 2006. Revenues, in local currency, grew 30% and LBITDA before all CACs reduced 82% to an almost breakeven position. Although ARPU declined 5% to €51.22, the proportion of non-voice revenue increased from 14% in 2005 to 18%. The HSDPA upgrade has been completed on the existing network. **3** Austria is continuing to roll out its network to cover the rural areas.

In light of the **3** Group's operating and financial performance in 2006, management is continuing to target achieving positive monthly EBITDA after all CACs on a sustainable basis during the first half of 2007 and positive monthly EBIT on a sustainable basis during 2008.

Outlook

The global economy continued to grow in 2006 as US dollar interest rates and energy prices stablised. Hong Kong continued to benefit from the strong economic growth in the Mainland. In 2007, the Group will continue to seek new opportunities in the Mainland as well as overseas. Looking ahead, the major economies around the world continue to be healthy and rapid development in the Mainland and in Asia is supporting positive worldwide trends. With our diversified portfolio of business worldwide, and our sound financial position, I am confident that our Group's businesses will continue to perform well in 2007.

I would like to thank the Board of Directors and the Group's most valuable asset - our employees all around the world - for their continuing professionalism, creativity, hard work and loyal dedication.

Li Ka-shing
Chairman

Hong Kong, 22 March 2007

"In 2007, the Group will continue to seek new opportunities in the Mainland as well as overseas."

Operations Review

Consolidated Operating Results

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

The Group reported total revenue, including the Group's share of associated companies' and jointly controlled entities' revenue, of HK$267,664 million, an 11% increase over 2005. The Group's EBIT for the year, excluding investment properties revaluation profit and profit on disposal of investments and others, totalled HK$23,795 million, a 955% increase over 2005 comparable EBIT of HK$2,256 million. This EBIT is comprised of EBIT of the established businesses of HK$43,791 million, which increased 14% compared to last year, and LBIT of the **3** Group of HK$19,996 million, a 45% reduction compared to last year. Investment properties revaluation profit amounted to HK$3,802 million (2005 – HK$5,225 million) and the profit on disposal of investments and others totalled HK$23,290 million (2005 – HK$25,117 million). Including these exceptional items, the Group's consolidated EBIT totalled HK$50,887 million, a 56% increase compared to last year.

The profit attributable to shareholders for the year was HK$20,030 million, which was 40% ahead of last year's amount of HK$14,343 million.

Financial Performance Summary

	2006 HK$ millions	As restated [1] 2005 HK$ millions		Change
Total revenue [2]				
Ports and related services	**33,041**	29,917	+	**10%**
Property and hotels	**10,717**	10,265	+	**4%**
Retail	**99,149**	88,780	+	**12%**
Cheung Kong Infrastructure	**14,822**	16,590	-	**11%**
Husky Energy	**29,981**	22,879	+	**31%**
Finance & Investments and others	**12,614**	10,530	+	**20%**
Hutchison Telecommunications International	**16,672**	25,399	-	**34%**
3 Group	**50,668**	37,502	+	**35%**
Total	**267,664**	241,862	+	**11%**
EBIT [2]				
Established businesses				
Ports and related services	**11,395**	10,219	+	**12%**
Property and hotels	**5,667**	3,939	+	**44%**
Retail	**2,720**	3,261	-	**17%**
Cheung Kong Infrastructure	**6,136**	6,675	-	**8%**
Husky Energy	**8,305**	6,140	+	**35%**
Finance & Investments and others	**6,920**	5,513	+	**26%**
Hutchison Telecommunications International	**2,648**	2,789	-	**5%**
EBIT of established businesses	**43,791**	38,536	+	**14%**
3 Group				
EBITDA before all CACs	**13,223**	1,825	+	**625%**
Prepaid CACs	**(5,494)**	(11,444)	+	**52%**
Reported EBITDA/(LBITDA)	**7,729**	(9,619)	+	**180%**
Depreciation and amortisation	**(27,725)**	(26,661)	-	**4%**
LBIT of 3 Group	**(19,996)**	(36,280)	+	**45%**
TOTAL EBIT BEFORE THE FOLLOWING	**23,795**	2,256	+	**955%**
Change in fair value of investment properties	**3,802**	5,225	-	**27%**
Profit on disposal of investments and others	**23,290**	25,117	-	**7%**
TOTAL EBIT	**50,887**	32,598	+	**56%**
Interest expense and other finance costs	**(20,346)**	(18,156)	-	**12%**
Profit before tax	**30,541**	14,442	+	**111%**
Tax				
Current tax	**(4,833)**	(4,119)	-	**17%**
Deferred tax	**(2,318)**	3,253	-	**171%**
Profit after tax	**23,390**	13,576	+	**72%**
Minority interests	**(3,360)**	767	-	**538%**
Profit attributable to shareholders	**20,030**	14,343	+	**40%**

(1) Certain reclassification adjustments on minority interests have been made to conform to the 2006 presentation.

(2) The information includes the Company's, its subsidiary companies' and its proportionate share of associated companies' and jointly controlled entities' respective items. See Note 6 to the accounts.

Ports
and Related Services

The Group is one of the world's largest privately owned operators of container terminals with interests in a total of 45 ports comprising 257 berths in 23 countries.

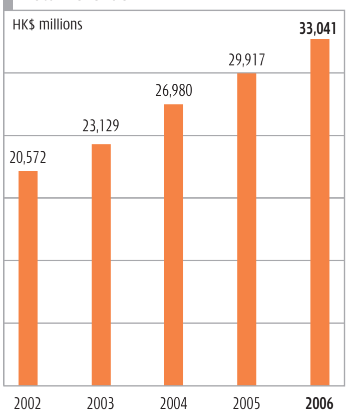

Bahamas
The Netherlands
United Kingdom
Germany
Poland
Myanmar
Thailand
Mainland China
Hong Kong
South Korea
Mexico
Panama
Ecuador
Argentina
Spain
Belgium
Egypt
Tanzania
Saudi Arabia
Oman
Pakistan
Indonesia
Vietnam
Malaysia

Ports and Related Services

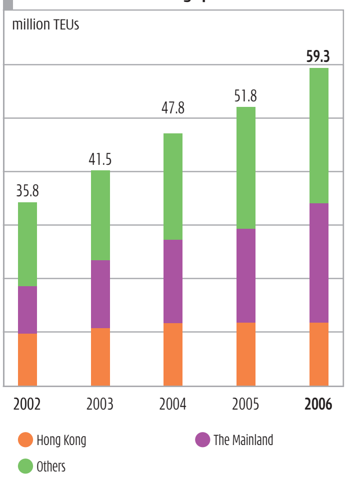
The ports and related services division reported total revenue of HK$33,041 million, a growth of 10%, reflecting a 15% increase in annual throughput to reach 59.3 million twenty-foot equivalent units ("TEUs"). The throughput increase arose mainly from the first full-year operation of Waigaoqiao Phase V in the combined Shanghai area ports; from the existing ports of Yantian ("YICT") in the Mainland; Westports in Klang, Malaysia; Kwai Tsing terminals in Hong Kong and also the Group's recently acquired interest in Terminal Catalunya ("TERCAT") in Barcelona, Spain. EBIT from this division increased 12% to HK$11,395 million, mainly due to the increased throughput. This division continues to provide the Group with a growing income stream, contributing 15% and 26% to the Group's total revenue and EBIT from its established businesses respectively.

	2006 HK$ millions	2005 HK$ millions	**% change**
Total Revenue	**33,041**	29,917	**+10%**
EBIT	**11,395**	10,219	**+12%**

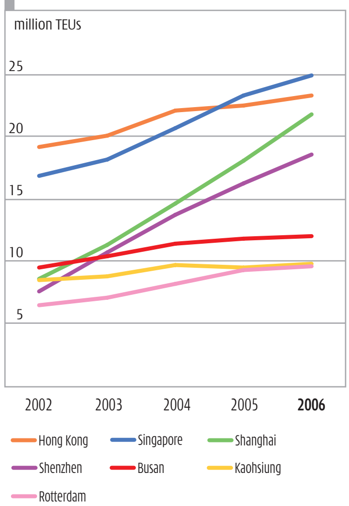
Total Revenue



Total Container Throughput



Comparison of Throughput at World's Busiest Container Ports



Hongkong International Terminals achieves an important milestone as it handles its 100 millionth TEU – a world record for an individual container terminal operator.

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 operations increased 7% and EBIT was 3% better than last year, reflecting increased export volumes.

YICT recorded another year of growth, with throughput and EBIT increasing 17% and 10% respectively. The Yantian Port Phase III expansion project, which comprises six deep-water container berths adjacent to the Group's existing facilities, is progressing well. The first berth commenced operation in the third quarter of 2006 and the five remaining berths are expected to be completed in stages by 2009 to meet increasing demand.

In Hong Kong, Hongkong International Terminals ("HIT") operates Terminals 4, 6, 7 and 9 at Kwai Tsing and COSCO-HIT Terminals ("COSCO-HIT"), a joint-venture company, operates Terminal 8 East. Combined throughput at HIT and COSCO-HIT increased 5% and in September, HIT passed a milestone of handling its 100 millionth container. EBIT was 5% below last year, mainly due to tariff pressure from increased capacity in the region.

Other operations in Hong Kong include the midstream and river trade businesses. River Trade Terminal ("RTT"), a 50% owned joint venture that principally serves the water-borne trade between the Pearl River Delta region and Hong Kong, reported slightly lower losses although it continues to be affected by competition. During the year, the Group acquired an additional 7% interest in RTT, which increased the ports division's shareholding to 50%. Throughput of Asia Port Services decreased 23% due to heavy competition from all Kwai Tsing terminal operators and EBIT reduced by 10%.

Name	Location	Ports division's Interest	2006 Throughput
			(thousand TEUs)
Yantian International Container Terminals/ Yantian International Container Terminals (Phase III)	Yantian, PRC	48%/42.7%	8,865
Hongkong International Terminals/COSCO-HIT Terminals	Kwai Tsing, Hong Kong	66.5%/33.25%	8,235
River Trade Terminal	Tuen Mun, Hong Kong	50%	2,062
Asia Port Services	Hong Kong	100%	1,306

Europe

The European port operations include Europe Container Terminals ("ECT") in the Netherlands, the UK ports, Gydnia Container Terminal in Poland and the Group's recently acquired interest in TERCAT in Barcelona, Spain.

ECT in Rotterdam reported throughput and EBIT both 2% below last year. The expansion of ECT's facilities is continuing to meet increasing trade volumes in the area.

The Group's UK port operations, consisting of Felixstowe, Thamesport and Harwich, reported a combined throughput increase of 6% compared to last year, and EBIT was 4% higher. Further deepening of the Trinity Terminal area as well as further measured expansion at Felixstowe South and Bathside Bay are planned to increase the capacity of these ports.

During the year, the Group further expanded its container handling capacity in Europe. In June, Gdynia Container Terminal ("GCT") in the Port of Gdynia, Poland, commenced stage one of its container handling operation. The ports division's shareholding in GCT was increased from 83.53% to 99.15% during the year. In addition, the acquisition from Grupo Mestre of a 70% interest in TERCAT, a five-berth container terminal in Barcelona, was completed in the third quarter of 2006. This joint operation with Grupo Mestre (30% interest) was awarded a 30-year concession by the Barcelona Port Authority in Spain to build and operate a new seven-berth container terminal, which will be developed in two phases over the next 10 years.

Name	Location	Ports division's Interest	2006 Throughput
			(thousand TEUs)
Europe Container Terminals	Netherlands	98%	5,490
Hutchison Ports (UK) – Felixstowe, Thamesport and Harwich	UK	100%	3,604
Terminal Catalunya	Spain	70%	433
Gydnia Container Terminal	Poland	99.15%	56

"Annual throughput grew 15% to reach 59.3 million TEUs."

The Americas and The Caribbean

These operations comprise Freeport in the Bahamas, Balboa and Cristobal in Panama, Veracruz, Ensenada and Lazaro Cardenas in Mexico, Buenos Aires in Argentina and the Group's recently acquired interest in Port of Manta, Ecuador.

Freeport Container Port ("FCP"), on Grand Bahama Island, reported throughput and EBIT 31% and 30% above last year respectively. Further expansion in FCP is planned to handle additional demand.

Located at the heart of Rotterdam, ECT Home Terminal has excellent links to and from the continental hinterland.

In Panama, the Group operates the ports of Balboa and Cristobal located near both ends of the Panama Canal. The combined throughput increased 38% and EBIT was 33% above last year. Further capacity expansion at Balboa and Cristobal are underway to meet additional demand.

Internacional de Contenedores Asociados de Veracruz, on the eastern coast of Mexico, reported throughput growth of 24% and EBIT growth of 12%.

In November, the Group was awarded a 30-year concession by the Manta Port Authority to build and operate a new container terminal at the Port of Manta, Ecuador. The new terminal is designed to have four berths with a depth alongside of up to 16 metres and a total area of 63 hectares upon completion of all phases. The initial phase is expected to commence operations in 2007.

Name	Location	Ports division's Interest	2006 Throughput
			(thousand TEUs)
Freeport Container Port	Bahamas	60%	1,463
Panama ports container terminals	Panama	90%	1,256
Internacional de Contenedores Asociados de Veracruz	Mexico	100%	840
Buenos Aires Container Terminal Services	Argentina	100%	347
Lazaro Cardenas Terminal Portuaria de Contenedores	Mexico	100%	162
Ensenada International Terminal	Mexico	100%	121
Terminales Internacionales De Ecuador S.A.	Ecuador	95%	N/A

The Mainland

These operations include interests in three Shanghai area ports, Ningbo, Jiuzhou, Nanhai, Gaolan, Jiangmen, Xiamen, Shantou and Huizhou.

In Shanghai, the combined throughput grew 48% compared to last year, mainly attributable to the full-year contribution from Shanghai Mingdong Container Terminals, the operator of Waigaoqiao Phase V, which started operation in late 2005. EBIT was 30% above last year.

In Ningbo, Ningbo Beilun International Container Terminals reported a 10% increase in throughput and an EBIT increase of 50%, mainly due to both higher throughput and tariff.

"EBIT increased 12% to HK$11,395 million."

Hutchison Delta Ports' operations include six joint-venture river and coastal ports in Jiuzhou, Nanhai, Gaolan, Jiangmen, Xiamen and Shantou. Combined container throughput increased 10% and general cargo handling decreased 29%. The combined EBIT increased 15% compared to last year.

In January 2006, the Group acquired a 33.59% interest in Huizhou Port Industrial Corporation, which has five oil berths and four multi-purpose berths.

Freeport Container Port in the Bahamas serves as a major container transshipment hub, connecting the world's trade lane destinations from the Americas, Europe, Far East and Australia.

The Group is continuing to expand its existing facilities in the growing Mainland market. In Zhuhai, two new container berths with total quay length of 824 metres in Zhuhai International Container Terminals (Gaolan) are under construction and are expected to commence operations in 2007. In addition, in Shanghai, the Group is finalising the terms of a joint-venture investment in the Yangshan port.

Name	Ports division's Interest	2006 Throughput
		(thousand TEUs)
Shanghai Container Terminals/Shanghai Mingdong Container Terminals (Waigaoqiao Phase V)/Shanghai Pudong International Container Terminals (Waigaoqiao Phase I)	37% / 50% / 30%	9,153
Ningbo Beilun International Container Terminals	49%	1,944
Xiamen International Container Terminals	49%	1,173
Pearl River Delta Ports in Southern China-Jiuzhou, Nanhai, Gaolan and Jiangmen/Shantou International Container Terminal	50% / 70%	1,033
Huizhou Port Industrial Corporation	33.59%	100

North and South Asia

These operations comprise container terminals in Westports in Klang, Malaysia, Busan and Gwangyang in South Korea, Jakarta in Indonesia, Laem Chabang in Thailand and Karachi in Pakistan.

In Malaysia, Westports in Klang reported throughput growth of 24% and EBIT increased 43% compared to last year mainly due to higher throughput and tariff.

In South Korea, the Group's operations in Busan and Gwangyang reported a combined throughput increase of 5% and an EBIT increase of 28%, mainly due to better performance in the Gwangyang terminal, which reported reduced losses in 2006.

In Indonesia, Jakarta International Container Terminal and the adjacent Koja Container Terminal continued to operate in a challenging environment. Although combined throughput increased 7%, EBIT decreased by 11% mainly due to higher operating costs.

In Thailand, the Laem Chabang terminals reported throughput 61% over last year and EBIT increased 32%.

In Pakistan, Karachi International Container Terminal reported throughput growth of 19% and EBIT increased 55% compared to last year, mainly due to both higher throughput and tariff.

Zhuhai International Container Terminals (Jiuzhou) serves the industrial city of Zhuhai as well as its large hinterland.

An aerial view of Hutchison Busan Container Terminal.

In February 2007, the Group entered into agreements with Saigon Investment Construction & Commerce Company to jointly construct, develop and operate a new container terminal in Ba Ria Vung Tau Province, Vietnam for a concession period of 50 years. The first berth of this three-berth container terminal is expected to commence operation in 2011.

Name	Location	Ports division's Interest	2006 Throughput
			(thousand TEUs)
Westports Malaysia	Malaysia	31.5%	3,392
Hutchison Korea Terminals (two terminals in Busan and one terminal in Gwangyang)	South Korea	100%	2,960
Jakarta International Container Terminal and Koja Container Terminal	Indonesia	51%/47.9%	2,438
Hutchison LaemChabang Terminal/Thai Laem Chabang Terminal	Thailand	80%/87.5%	640
Karachi International Container Terminal	Pakistan	100%	565
Korea International Terminals	South Korea	88.9%	394

Middle East and Africa

These operations comprise container terminals in Dammam in Saudi Arabia, Dar es Salaam in Tanzania, new terminals in Alexandria and El Dekheila ports in Egypt and a new facility in Oman.

In Saudi Arabia, International Ports Services reported throughput growth of 5% and an EBIT increase of 26%, mainly due to higher throughput.

In Tanzania, Tanzania International Container Terminal Services reported throughput growth of 5% and an EBIT increase of 11%, mainly due to a larger proportion of higher tariff throughput compared to last year.

In Egypt, the conversion of the two existing terminals at Alexandria and El Dekheila ports to container terminals are progressing well and the operations at Alexandria are about to commence commercial services.

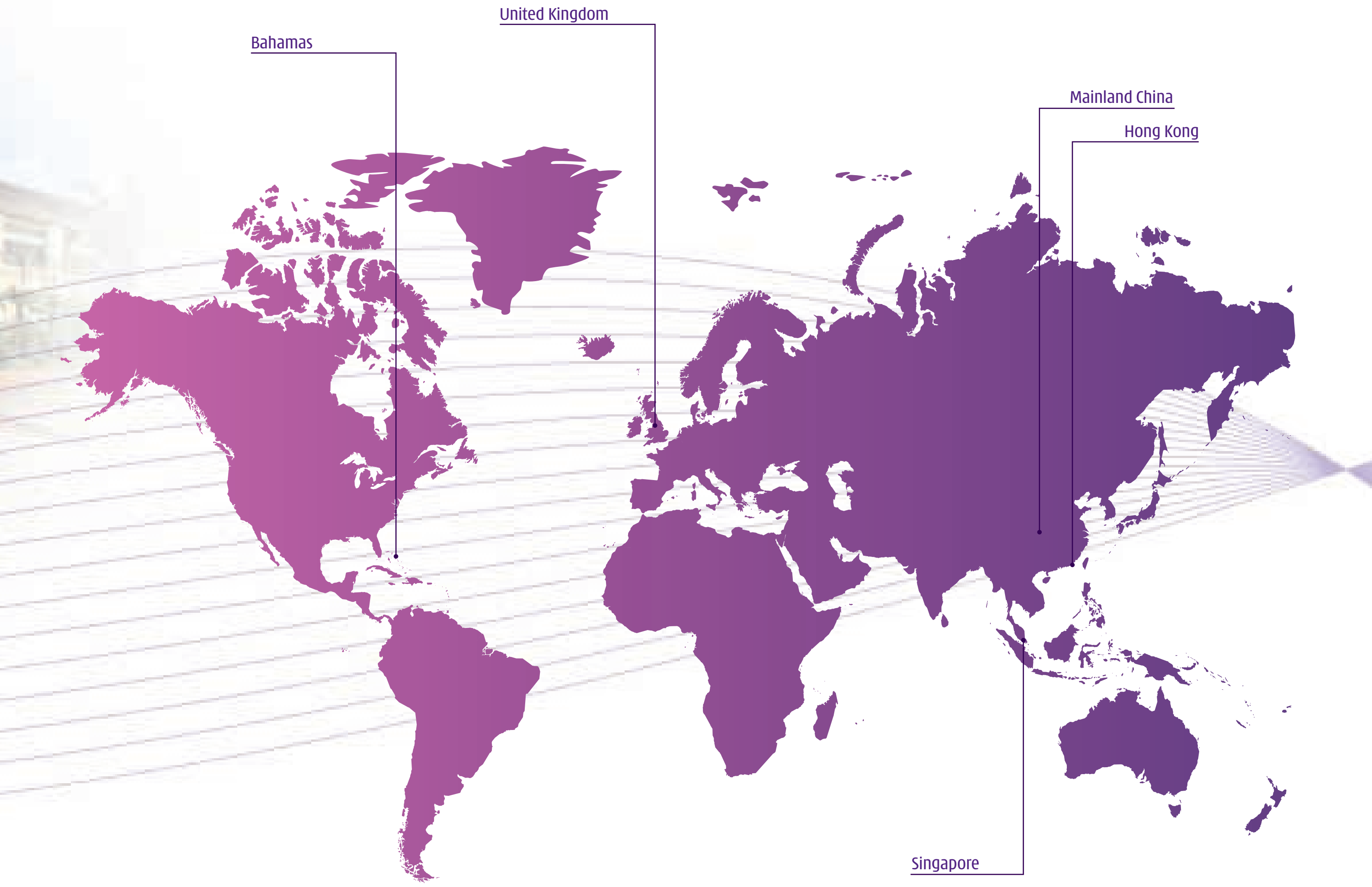
In Oman, the Oman International Container Terminal is being developed on a greenfield site in the Port of Sohar. The first berth of this 10-berth facility commenced operation in January 2007.

Name	Location	Ports division's Interest	2006 Throughput
			(thousand TEUs)
International Ports Services	Saudi Arabia	51%	944
Tanzania International Container Terminal Services	Tanzania	70%	308
Alexandria International Container Terminals	Egypt	38%	N/A
Oman International Container Terminal	Oman	65%	N/A

International Ports Services in Saudi Arabia is a multi-purpose deep-water port capable of handling containers, ro-ro vessels, break-bulk and refrigerated cargo.

Property and Hotels

The Group's property activities comprise an investment portfolio of approximately 15.6 million square feet of office, commercial, industrial and residential premises that provide steady, recurrent rental income and interests in joint ventures for the development of high quality, primarily residential projects, mainly in the Mainland and selective overseas countries. In addition, the Group has ownership interests in a portfolio of 12 premium quality hotels.


United Kingdom
Bahamas
Mainland China
Hong Kong
Singapore

Property and Hotels

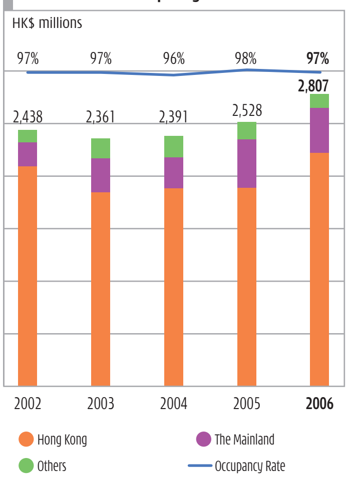
Total revenue of the property and hotels division for 2006 was HK$10,717 million, an increase of 4%, mainly due to increased rental income and increased revenue from the hotel businesses. EBIT of HK$5,667 million was 44% better than 2005, mainly due to increased rental income, profit of HK$1,428 million being the Group's 45% share of a joint venture's profit before taxation on sale of its office tower in Japan and improved results from the hotel operations reflecting the growth in the Hong Kong tourism and travel industry. This division contributed 5% and 13% to the Group's total revenue and EBIT from its established businesses respectively. In addition to the EBIT above, the Group recorded a gain on the change in fair value of investment properties of HK$3,802 million.

Regency Park is a deluxe residence in Pudong, Shanghai, offering a unique advantage of convenience and serenity.

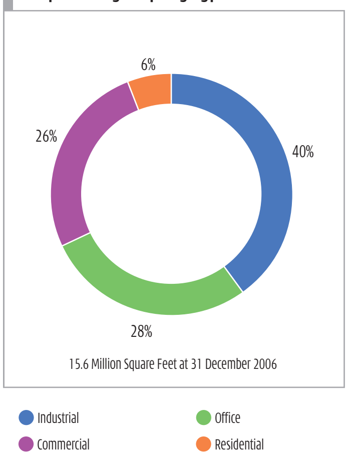
	2006 HK$ millions	2005 HK$ millions	**% change**
Total Revenue	**10,717**	10,265	**+4%**
EBIT	**5,667**	3,939	**+44%**

Rental Properties

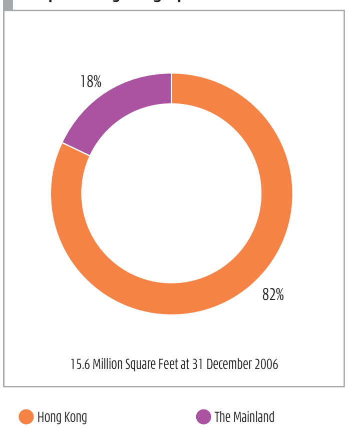
Total Gross Rental Income by Geographical Location and Occupancy Rate



Gross Floor Area of Investment Properties by Property Types



Gross Floor Area of Investment Properties by Geographical Location



The Westin Grand Bahama Island Our Lucaya Resort offers sandy beaches with a variety of restaurants, making it perfect for gathering and relaxation.

Hong Kong

The Group's portfolio of rental properties in Hong Kong, comprising approximately 12.8 million square feet (2005 – 12.8 million square feet) of office (26%), commercial (24%), industrial (49%) and residential (1%) properties, continues to provide a strong recurrent earnings base. Gross rental income of HK$2,231 million, including the Group's share of associated companies' rental income, was 17% above last year, reflecting higher lease renewal rates, particularly for office premises. All of the Group's premises remain substantially let. Gross rental income is expected to grow as the demand for office premises remains strong.

Major Rental Properties in Hong Kong

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

The Mainland and Overseas

The Group's various joint ventures in the Mainland and overseas hold a portfolio of investment properties totalling 9.3 million square feet, of which the Group's share is 2.8 million square feet (2005 – 3.2 million square feet). The Group's share of gross rental income of HK$576 million was 8% below last year, mainly due to reduced rental revenue subsequent to the disposal of the office portion of Pacific Century Place Marunouchi, an office and hotel tower in Tokyo, Japan.

"EBIT of HK$5,667 million was 44% better than 2005."

Major Rental Properties in the Mainland

Name	Location	Property Type	Total Gross Floor Area for Rent	Group's Interest	% Leased
			(thousand sq ft)		
Oriental Plaza	Beijing	Office, serviced apartments & commercial	5,218	18%	90%
Westgate Mall & Tower	Shanghai	Office & commercial	1,099	30%	96%
Metropolitan Plaza	Chongqing	Office & commercial	1,512	50%	98%
Seasons Villas	Shanghai	Residential	1,151	50%	89%

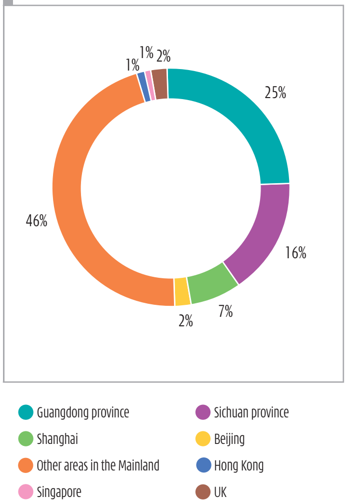
Property Sales and Properties under Development

During the year, profits were recorded primarily from the sale in September of the office portion of Pacific Century Place Marunouchi and the sale of units in joint-venture residential development projects in the Mainland, mainly the Regency Park development in Shanghai.

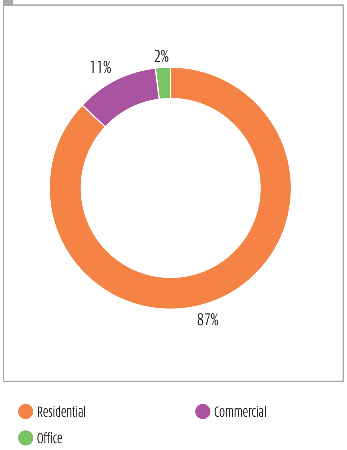
In 2006 and in the first few months of this year, the Group increased its landbank in the Mainland by entering into joint ventures to develop mainly residential properties with a total developed gross floor area of approximately 64 million square feet, of which the Group's share is 30 million square feet. Including these recent additions, the Group's current joint-venture share of landbank totals approximately 92 million square feet, of which 96% is in the Mainland, 3% in the UK and overseas, and 1% in Hong Kong. These projects are scheduled for completion in phases from 2007 to 2026 and are expected to provide satisfactory returns and steady development profits to the Group.

Wonderful Worlds of Whampoa brings the world's unique Dog Circus to Hong Kong during Christmas.

Gross Floor Area of Development Projects by Geographical Location



Gross Floor Area of Development Projects by Property Types



"The Group recorded a gain on the change in fair value of investment properties of HK$3,802 million."

Hong Kong

In 2006, a substantial number of the remaining units of Carmel Cove, Phase III of the Caribbean Coast residential development in Tung Chung, were sold. Crystal Cove, Phase IV, was completed during the year and sales programme has commenced recently. The final phase of this development is expected to be completed in 2008. Planning for a residential development in Hung Shui Kiu is progressing and the project is scheduled for completion in 2008.

The Mainland

In the Mainland, Phase IV and V of Shanghai Regency Park, an upscale residential property, was completed during the year and all of the 89 villas were sold. Phase IA and IB of Beijing Greenwich, a residential development was completed during the year with over 98% of the units sold. Phase II of Cape Coral, a residential development in Guangzhou Panyu Dashi was completed during the year. A total of 252 units including remaining units in Phase I of this development were sold. The other projects under development are progressing well.

Major Hong Kong Properties under Development

Name	Location	Property Type	Total Gross Floor Area	Group's Interest	Completion Date
			(thousand sq ft)		
Caribbean Coast-Phase V	Tung Chung	Residential	113	50%	2008
Hung Shui Kiu	Yuen Long	Residential	537	50%	2008

Metropolitan Plaza Guangzhou will be the largest shopping mall in Guangzhou West and the newest landmark of the city.

Major Properties in the Mainland under Development

Name	Location	Property Type	Total Gross Floor Area	Group's Interest	Completion Date
			(thousand sq ft)		
The Riverside and Metropolitan Plaza	Guangzhou	Residential & commercial	3,689	50%	2008
The Greenwich	Beijing	Residential & commercial	2,592	50%	2008
International Toys and Gifts Center	Guangzhou	Commercial	1,844	30%	2008
Maison des Artistes	Shanghai	Residential & commercial	1,679	50%	2008
Regency Park (mainly Phases VI to VIII)	Shanghai	Residential & commercial	882	50%	2008
Horizon Cove	Zhuhai	Residential	1,083	50%	2008
Shisanling	Beijing	Residential	856	50%	2009
Wenjiang	Chengdu	Residential & commercial	5,295	50%	2009
Cape Coral, Nanan	Chongqing	Residential & commercial	4,085	48%	2009
Cape Coral, Panyu Dashi	Guangzhou	Residential & commercial	2,973	50%	2009
Maqiao	Shanghai	Residential	484	43%	2009
Xin Zha Road	Shanghai	Commercial	626	30%	2009
Regency Park	Shenzhen	Residential	1,689	50%	2009
Le Sommet	Shenzhen	Residential & commercial	3,140	50%	2009
Yingkoudao	Tianjin	Residential & commercial	2,780	40%	2009
Laopu Pian	Wuhan	Residential & commercial	1,732	50%	2009
Qiao Island	Zhuhai	Residential	2,557	50%	2009
Nanguan District	Changchun	Residential & commercial	2,354	50%	2010
Douxi	Chongqing	Residential & commercial	4,416	50%	2010
Jinkeng Village, Luogang District	Guangzhou	Residential & commercial	2,496	40%	2010
Century Avenue	Shanghai	Commercial	2,870	25%	2010
Huaqianbei Development	Shenzhen	Residential & commercial	1,610	50%	2010
Hualou Jie	Wuhan	Residential & commercial	3,927	50%	2010
Jingyuetan	Changchun	Residential & commercial	4,357	50%	2011
The Greenwich	Xian	Residential & commercial	11,218	50%	2011
Changsha Wangcheng	Hunan	Residential & commercial	6,983	50%	2012
Xiao Gang Wan	Qingdao	Residential, commercial & hotel	9,830	45%	2013
Le Parc	Chengdu	Residential & commercial	25,675	50%	2015
Laguna Verona	Dongguan	Residential & commercial	14,677	50%	2017
Zengcheng	Guangzhou	Residential & commercial	7,145	50%	2019

Marina Bay in Singapore is located near a glamorous integrated resort, tranquil waterfront gardens and world-class business district.

Overseas

In Singapore, substantially all remaining units of the Cairnhill Crest residential development were sold during the year. Sales activities for the residential units in Phase I of the Marina Bay project have commenced with all 428 luxury apartments presold. The overall project is planned for completion in 2011. The residential development projects in the UK and the Bahamas are also progressing well.

"The Group's current joint-venture share of landbank totals approximately 92 million square feet."

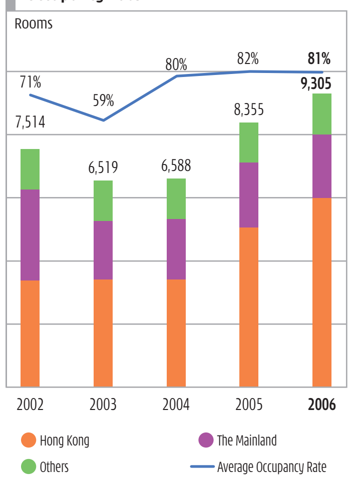
Major Overseas Properties under Development

Name	Location	Property Type	Total Gross Floor Area	Group's Interest	Completion Date
			(thousand sq ft)		
Singapore					
Marina Bay	Singapore	Residential & commercial	4,714	17%	2011
UK					
Lots Road and Chelsea Harbour Phase II	London	Residential & commercial	844	48%	2012
Convoys Wharf	London	Residential & commercial	3,334	50%	2017
Bahamas					
Silver Point	Bahamas	Residential	305	90%	2010

Hotels

Following the opening of the new Rambler Oasis Hotel at Tsing Yi in October, the Group has ownership interests in 12 hotels in Hong Kong, the Mainland and the Bahamas, of which seven are managed through its 50% owned hotel management joint venture. In 2006, the hotels division continued to benefit from a robust tourism and travel industry and reported revenue and EBIT growth of 13% and 33% respectively when compared to 2005.

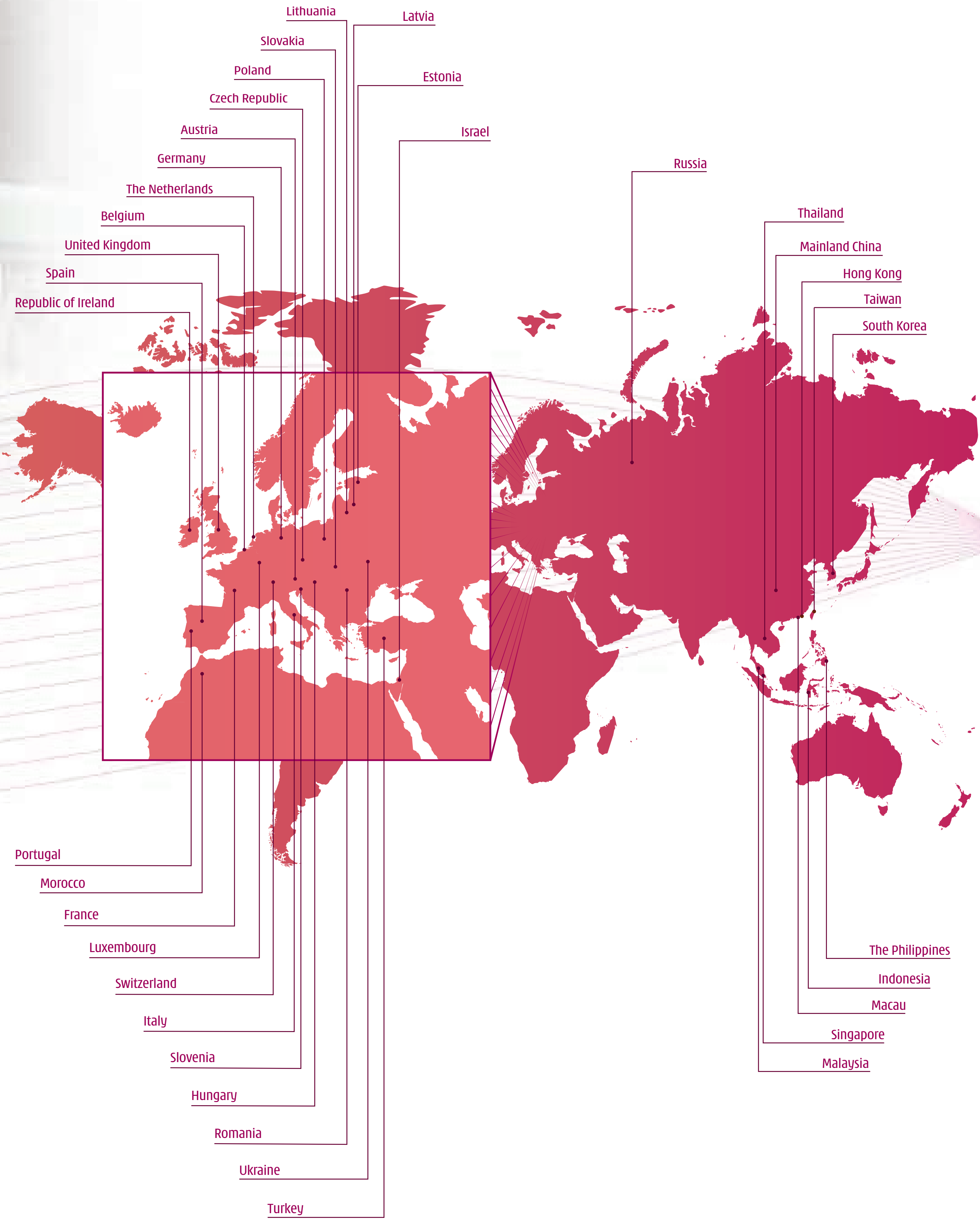
Average Actual Room Inventory by Geographical Location and Occupancy Rate



Harbour Plaza Metropolis upgrades its recreation facilities to let hotel guests enjoy hydrotherapy in the newly installed pool-side Jacuzzi overlooking the Victoria Harbour.

Retail

The retail division consists of the A S Watson group of companies, the world's largest health and beauty retailer in terms of store number. A S Watson currently operates 12 retail chains in Europe and five retail chains in Asia, with more than 7,700 stores in 36 markets worldwide, providing high quality personal care, health and beauty products; luxury perfumery and cosmetic products; food, fine wine and general merchandise; and consumer electronic and electrical appliances. A S Watson also manufactures and distributes various bottled waters and other beverages in Hong Kong and the Mainland.


Lithuania
Latvia
Slovakia
Poland
Estonia
Czech Republic
Austria
Israel
Germany
Russia
The Netherlands
Belgium
Thailand
United Kingdom
Mainland China
Spain
Hong Kong
Republic of Ireland
Taiwan
South Korea
Portugal
Morocco
France
Luxembourg
Switzerland
Italy
Slovenia
Hungary
Romania
Ukraine
Turkey
The Philippines
Indonesia
Macau
Singapore
Malaysia

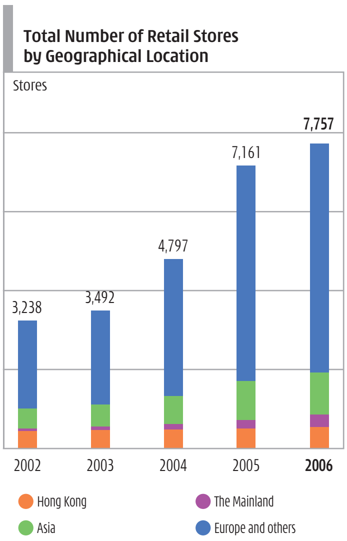
Retail

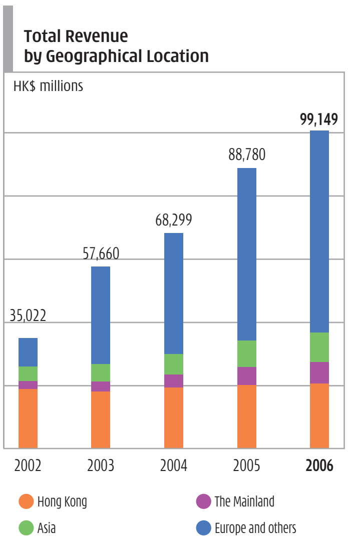
Total revenue for the retail division was HK$99,149 million, an increase of 12% compared to last year, mainly due to full-year contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired in April and August last year respectively; continued revenue growth of the health and beauty retail chains, including the Rossmann health and beauty retail chains in Germany and Poland, Superdrug in the UK, Kruidvat in the Benelux countries and Watsons in the Mainland; and to PARKnSHOP sales growth in the Mainland. EBIT of HK$2,720 million was 17% below last year, mainly due to the inclusion of the normal seasonal losses of Marionnaud in the first quarter of the current year's results but not in last year's comparable results as Marionnaud was acquired in April 2005, and also due to the restructuring charges incurred by Marionnaud and the health and beauty businesses in the UK and the Benelux countries. These businesses commenced major corporate restructuring and supply chain transformation programmes in the second half of 2006 to improve the operating efficiency. Excluding these normal, early seasonal losses and restructuring charges, the comparable EBIT decrease was 3%, mainly due to continued margin compression in the increasingly competitive health and beauty operations in Europe and Asia, partially offset by the improved results of the PARKnSHOP supermarkets, Watsons and Fortress operations in Hong Kong. This division contributed 45% and 6% to the Group's total revenue and EBIT from its established businesses respectively.

The Group's retail businesses are managed under four principal operating divisions: Health and Beauty; Luxury Perfumeries and Cosmetics; Retail Hong Kong; and Manufacturing.

	2006 HK$ millions	2005 HK$ millions	% change
Total Revenue	**99,149**	88,780	**+12%**
EBIT	**2,720**	3,261	**-17%**

"Total revenue was HK$99,149 million, an increase of 12%."



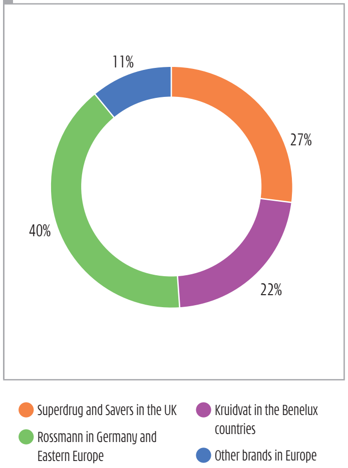


Rossmann is renowned for its unrivalled product range and professional service, with store network covering Germany, Poland, Hungary and Czech Republic.

Health and Beauty

The health and beauty retail chain stores consist of Superdrug and Savers in the UK; Kruidvat and Trekpleister in the Benelux countries; Rossmann in Poland, Hungary, Czech Republic and Germany; Drogas in the Baltic States; Watsons in Asia and certain Eastern European countries; and Nuance-Watson in the Hong Kong and Singapore international airports. During the year, A S Watson completed the acquisition of two small, established health and beauty store chains, Spektr in Russia and DC in Ukraine, in January and November respectively. The health and beauty division's total revenue increased 12% although EBIT declined 18%.

Number of Retail Stores by Brands of Health and Beauty European Division as at 31 December 2006



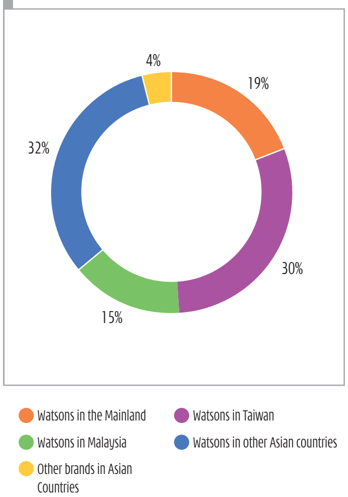
In Europe, the health and beauty businesses reported combined revenue 10% above last year, mainly contributed by continued revenue growth of Superdrug in the UK and Kruidvat in the Benelux countries; increased revenue from all joint ventures with Rossmann, in particular those in Germany and Poland; and also the first-year contributions from Spektr in Russia and DC in Ukraine. EBIT was lower than last year, reflecting intensifying competition in Continental Europe and one-time restructuring charges by Savers in the UK and Kruidvat in the Netherlands and Belgium. Both of these chains undertook major store rationalisation, supply chain transformation programmes and corporate restructuring to improve store concepts and operating efficiency. In the UK, despite continuing weak consumer spending sentiment and intense price competition, Superdrug achieved a 6% revenue increase and healthy EBIT growth. This good performance was offset by disappointing results from the Savers chain, resulting in a combined decline in EBIT compared to last year. In order to improve operating efficiency and capitalise on the economies of scale, the Superdrug and Savers logistics and administration activities are in the process of being merged. In the Benelux countries, Kruidvat maintained its market leading position in the health and beauty retail sector and reported an overall revenue growth of 8%, although it reported a decline in EBIT, mainly due to intensifying price competition from supermarkets and costs incurred for store rationalisation and refurbishment programmes. The division's joint ventures with Rossmann in Germany and Eastern Europe overall performed well and reported a combined double-digit growth in revenue and healthy EBIT growth. The health and beauty European division currently has more than 4,200 retail outlets in 14 markets.

In Asia, the Watsons personal care, health and beauty business continues to be the leading retail chain with strong brand name recognition and extensive geographical coverage, particularly in the Mainland and Taiwan. Although these operations reported a combined revenue 18% above last year, combined EBIT declined mainly due to increased competition and margin pressure which reduced contributions from the operations in Taiwan, Thailand and the Philippines. In the Mainland, Watsons continued to grow its revenue base as it expanded its geographical coverage in this vibrant and growing economy. However, EBIT declined mainly due to intensifying competition in this rapidly growing and changing consumer market. In Taiwan, although revenue was 3% above last year, EBIT also declined, affected by margin compression as a result of keen price competition. Although affected by rising store operating costs, Watsons in Malaysia was able to maintain its competitiveness through improved product offerings and reported increased revenue and stable EBIT compared to last year. Operations in Singapore, Thailand and the Philippines all reported lower EBIT. Retail concessions at the Hong Kong International Airport and the Singapore Changi Airport, operated by Nuance-Watson, a 50% joint venture, reported strong growth in revenue and combined EBIT and continued to provide a steady contribution to the division. There are currently more than 1,300 Watsons stores operating in eight markets in Asia, excluding Hong Kong and Macau.

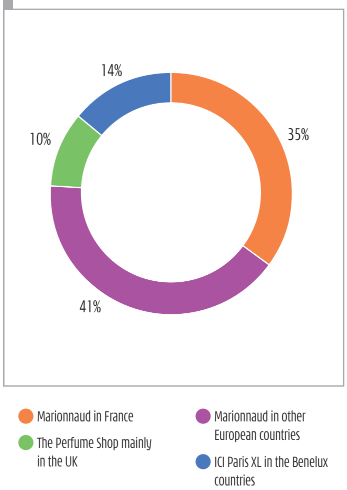
Luxury Perfumeries and Cosmetics

The luxury perfumeries and cosmetics division comprises the two Europe-based luxury perfumery and cosmetics retail chains, Marionnaud and The Perfume Shop, both acquired last year, and ICI Paris XL operating in the Benelux countries. These operations were combined into one division during the year to maximise synergy through integration of systems and processes and to strengthen purchasing power. As a result, restructuring costs were incurred by these businesses. Combined revenue increased 34% over last year, although EBIT declined by 36% mainly due to the restructuring costs.

Number of Retail Stores by Brands of Health and Beauty Asia Division as at 31 December 2006



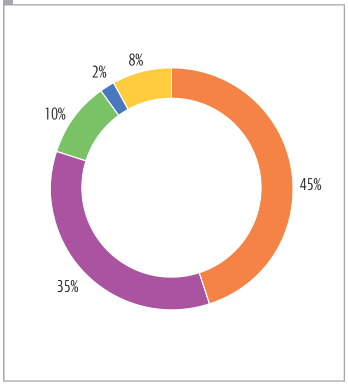
Number of Retail Stores by Brands of Luxury Perfumeries and Cosmetics Division as at 31 December 2006



Marionnaud is a favourite retail brand amongst European shoppers for perfume and cosmetics.

Marionnaud reported combined comparable revenue growth of 2%. However, lower EBIT was reported mainly due to the non-comparable normal seasonal losses included in the current year's results but not in 2005 results as mentioned previously; and also to the one-off charges incurred mainly for the restructuring of the logistics and distribution functions in France to improve efficiencies and inventory management. Excluding the non-comparable seasonal losses and the one-time charges, EBIT reported healthy growth compared to last year. In the UK, The Perfume Shop continued to expand its specialty perfumery store concept. Similar to Marionnaud, The Perfume Shop was acquired in mid-2005 and therefore full-year results are not comparable to 2005 partial year results. On a comparable basis, despite competitive pressures, The Perfume Shop achieved a revenue growth of 6% and healthy EBIT growth through its extensive retail network and comprehensive product mix. In the Benelux countries, ICI Paris XL reported combined revenue growth of 12%, but EBIT was lower mainly due to the additional investment in the warehouse and distribution functions. There are currently over 1,600 stores in 18 markets in this division.

Number of Retail Stores by Brands of Retail Hong Kong Division as at 31 December 2006



Retail Hong Kong

The Retail Hong Kong division consists of all the retail concepts in Hong Kong, including PARKnSHOP supermarkets, Watsons health and beauty personal care stores, Fortress consumer electronic and electrical appliances retail chain and Watson's Wine Cellar stores. PARKnSHOP in the Mainland and the European fine wine trading businesses are also reported under this division. This division reported a total revenue increase of 1% and an improved EBIT and currently operates more than 500 retail outlets.

While the economy of Hong Kong was healthy and growing in 2006, market competition remained intense and retailers faced rising pressure from increasing rental rates and operating costs. Against these trends, the PARKnSHOP supermarket chain in Hong Kong continued to maintain a leading market share. Through the introduction of new store concepts and conscious cost control, PARKnSHOP reported growth in both revenue and EBIT during the year.

Watsons reported slightly lower revenue but better EBIT than last year through tighter cost control and operation rationalisation. Fortress, one of the leading consumer electronic and electrical appliance retail chains in Hong Kong, also reported decreased revenue but increased EBIT with its wide range of product offerings. Watson's Wine Cellar, the specialist wine store chain in Hong Kong, reported growth in both revenue and EBIT.

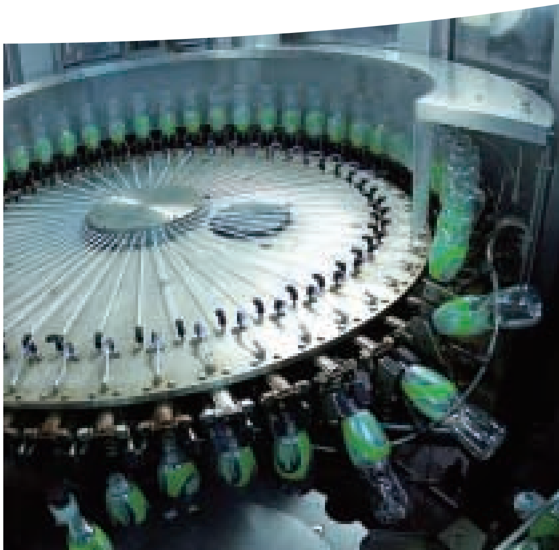
In the Mainland, PARKnSHOP operations continued to expand and 11 new stores were opened during the year. This operation reported revenue growth, although EBIT contribution was reduced, mainly due to keen competition from both local supermarkets as well as foreign hypermarket retailers.

Manufacturing

The manufacturing division manufactures and distributes well-known brands of bottled waters, fruit juices and soft drinks in Hong Kong and the Mainland. The division reported a 3% revenue growth and a 44% increase in EBIT compared to last year.

PARKnSHOP China continues its expansion in Mainland China to better serve the customers.

Watsons Water has an excellent reputation for meeting the highest standard as the most sought-after drinking water in Hong Kong and the Mainland.



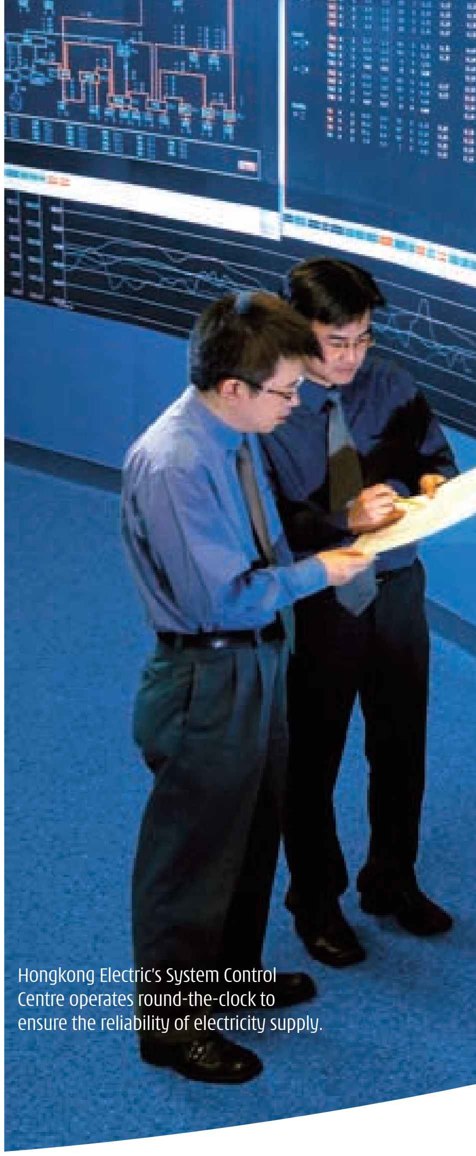
Energy, Infrastructure, Finance & Investments and Others

The energy, infrastructure, finance & investments and others 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, Australia and the UK, and a 34.6% interest in Husky Energy ("Husky"), one of Canada's largest integrated energy and energy-related companies. Also reported in this division are the results from the finance & investments treasury operations and certain other businesses.

* Finance & Investments

Energy, Infrastructure, Finance & Investments and Others

Total combined revenue for the energy, infrastructure, finance & investments and others division for 2006 totalled HK$57,417 million, a 15% increase mainly due to the increase in the Group's share of revenue from Husky and higher revenue from the Group's finance & investments operations. EBIT totalled HK$21,361 million, a 17% increase, mainly due to improved results from Husky and higher profits from the Group's treasury function, partially offset by reduced results from CKI.



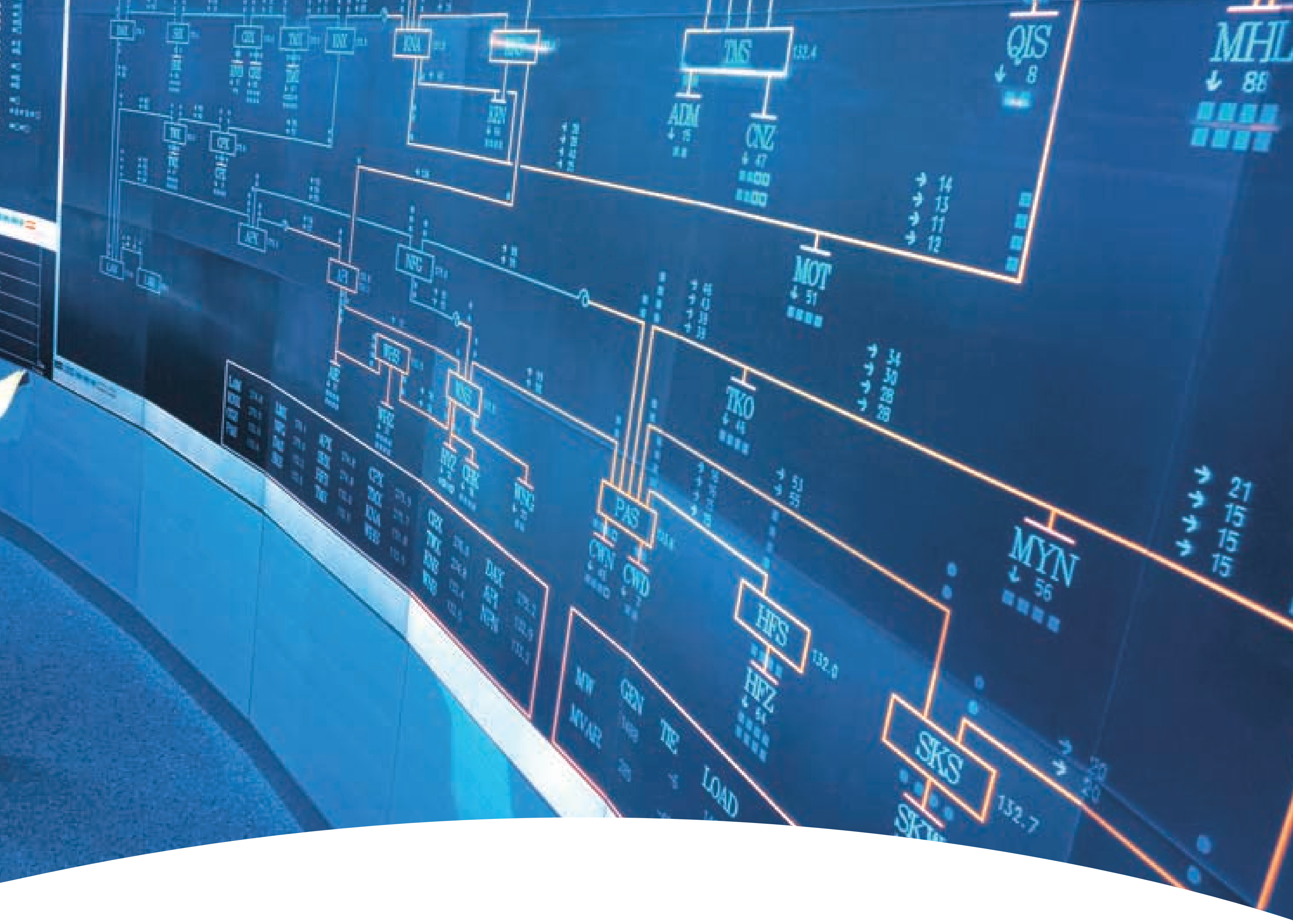
Hongkong Electric's System Control Centre operates round-the-clock to ensure the reliability of electricity supply.

	2006 HK$ millions	2005 HK$ millions	**% change**
Total Revenue	**57,417**	49,999	**+15%**
EBIT	**21,361**	18,328	**+17%**

Cheung Kong Infrastructure

CKI is one of the largest publicly listed infrastructure companies in Hong Kong with diversified investments in electricity generation and distribution, gas distribution, toll road, water treatment and distribution and infrastructure materials businesses. Operating in Hong Kong, the Mainland, Australia, the UK and Canada, it is a leading player in the global infrastructure arena.

CKI announced turnover, including its share of jointly controlled entities' turnover, of HK$4,799 million, 1% above last year, and profit attributable to shareholders of HK$3,670 million, a decrease of 39% compared to the HK$6,007 million reported last year. Included in current year's result was a provision of HK$279 million to fully provide for the investment in the Cross City tunnel in Sydney, Australia which was placed in receivership in December. Last year's results included a one-time profit of HK$3,699 million arising from the partial disposal of the Australian electricity distribution businesses to



Spark Infrastructure Group, net of provisions of HK$1,727 million against certain infrastructure operations and projects. CKI, after adjusting for the Group's asset valuation consolidation adjustments, contributed 7% and 14% to the Group's total revenue and EBIT from its established businesses respectively.

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, is the sole provider of electricity to Hong Kong and Lamma islands. HEH announced a profit attributable to shareholders of HK$6,842 million, a decrease of 20% compared to the HK$8,562 million reported last year, which included a profit on disposal of 22.07% of the Australian electricity distribution businesses to CKI and a non-cash tax credit which together totalled HK$2,208 million.

HEH continued with its emission reduction programme in 2006. In February 2006, The Hongkong Electric Co., Ltd ("HKE") commissioned Hong Kong's first wind turbine "Lamma Winds". To mark this milestone event, HKE established a HK$1 million fund to support the study and development of renewable energy. In October, the new gas-fired combined cycle unit (L9) at the Lamma Power Station was commissioned for commercial operation and is another important milestone to establish electricity supply fuelled by the more environmentally friendly liquefied natural gas.

CKI's other businesses recorded healthy results. Northern Gas Networks in the UK, which was acquired in June 2005, provided a strong full-year contribution in 2006. CKI's cement, concrete, asphalt and aggregates businesses in Hong Kong and the Mainland experienced a substantial improvement over 2005 from higher sales and lower costs. The construction of Power Plants 3 & 4 at Zhuhai has been progressing according to plan and unit 4 has recently commenced operations. CKI will continue to apply financial discipline as it explores investment opportunities around the world to facilitate future earnings growth.

Husky Energy

The Group has a 34.6% interest in Husky, a listed Canadian based integrated energy and energy-related company. Husky announced total revenue of C$12,664 million, 24% above last year and net earnings of C$2,726 million, 36% above last year, mainly reflecting higher crude oil prices, increased production volumes and the full-year contribution by the White Rose oil field which commenced production in the fourth quarter of 2005. Cashflow from operations in 2006 was C$4,501 million, a 19% increase from last year. Quarterly dividend payments were increased to C$0.50 per share, commencing in the third quarter of 2006, giving a total dividend of C$1.50 per share in 2006, providing strong cash returns of HK$1,511 million to the Group. In addition, benefiting from a healthy financial condition and earnings, a special dividend of C$0.50 per share for 2006 was declared in February this year. Husky contributed 14% and 19% to the Group's total revenue and EBIT from its established businesses respectively.

In 2006, Husky's gross production volume averaged approximately 360,000 barrels of oil equivalent per day ("boe/day") compared to 315,000 boe/day during 2005, a 14% increase. The East Coast White Rose oil field continued to perform better than expected. A sixth production well, which came on-stream in the fourth quarter of 2006, is expected to increase reservoir production capacity to 125,000 boe/day and a seventh production well, which will further increase the production level of the reservoir, is to be completed by mid-2007. The 2006 delineation programme contributed possible reserves of 138 million barrels of light crude oil to White Rose, which had combined proved, probable and possible reserves of 379 million barrels at the end of 2006. At the end of 2006, Husky's total proved and probable oil and gas reserves amounted to 2,444 million barrels of oil equivalent, an 8% increase. The additions to crude oil proved and probable reserves were primarily from the White Rose oil field and heavy oil properties. The natural gas additions to proved and probable reserves in 2006 were mainly due to natural gas properties throughout the Western Canadian sedimentary basin.

During the year, Husky continued to develop its oil sands and other projects. The Tucker Oil Sands project, located 30 kilometres northwest of Cold Lake, Alberta, was completed on schedule, under its original budget and achieved first oil at the end of 2006. Production is expected to increase over the next two years to achieve peak production of 30,000 barrels per day of bitumen. In addition, Husky also acquired leases adjacent to its Saleski oil sands property, increasing its holding area to 239,200 acres with discovered resource of approximately 24 billion barrels of bitumen. The Sunrise Oil Sands project front-end engineering design work is expected to complete by the third quarter of 2007. In September, the Lloydminster Ethanol Plant in Saskatchewan was officially commissioned. It is the largest wheat-based ethanol facility in Western Canada with annual peak production of 130 million litres of ethanol and 134,000 tonnes of Distillers Dried Grain with Solubles, a high protein feed supplement. A second 130 million litres per year plant is being constructed in Minnedosa, Manitoba and is scheduled to be fully operational in the fourth quarter of this year.

"Husky announced total revenue of C$12,664 million, 24% above last year and net earnings of C$2,726 million, 36% above last year."

ETSA Utilities is the primary electricity distributor for the state of South Australia, serving more than 770,000 customers.

Internationally, in 2006 Husky announced a potentially significant natural gas discovery in the South China Sea and a development programme is currently proceeding. Husky expanded its offshore acreage position in the South China Sea with the signing of three petroleum contracts with China National Offshore Oil Corporation for three exploration blocks covering approximately 16,871 square kilometres.

Finance & Investments and Others

Finance & investments and others mainly represents returns earned on the Group's substantial holdings of cash and liquid investments, which totalled HK$130,402 million at 31 December 2006. The Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison China MediTech, listed subsidiary Hutchison Harbour Ring and listed associate TOM Group are also reported under this division. These operations reported combined EBIT of HK$6,920 million, an overall 26% increase, primarily due to profits on disposal of certain equity investments and a dilution gain of HK$307 million realised on the initial public offering of Hutchison China MediTech on the Alternative Investment Market of the London Stock Exchange in May. This division contributed 16% to the Group's EBIT from its established businesses. Further information on the treasury function of this division can be found in the "Group Capital Resources and Liquidity" section on page 56 of the annual report.

Hutchison Whampoa (China)

Hutchison Whampoa (China) ("HWCL") operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK and also has investments in a number of healthcare projects. HWCL reported an overall improved results from its continuing operations. Its recently listed subsidiary, Hutchison China MediTech ("Chi-Med"), continues to progress steadily in its research and development projects and has recently completed collaboration agreements with certain major global pharmaceutical companies. During the year, HWCL acquired a 70% interest in Shanghai Whitecat group, which manufactures and sells the "Whitecat" brand of consumer detergent products in the Mainland and overseas.

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; a supplier and manufacturer of consumer electronic products; and a licensing 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$2,593 million and profit attributable to shareholders of HK$50 million, reductions of 1% and 73% respectively, mainly due to lower profits from its manufacturing operations which faced a very competitive environment and increasing costs.

TOM Group

TOM Group ("TOM"), a 24.5% associate, is listed on the Stock Exchange of Hong Kong and its businesses include Internet, publishing, outdoor media, sports, television and entertainment. TOM announced turnover of HK$2,911 million, compared to HK$3,105 million last year, and profit attributable to shareholders of HK$32 million, compared to HK$260 million last year, which included certain gain on deemed disposal of interests in subsidiaries of HK$160 million.

The first Warner Bros. Studio Store in Shanghai is a 900-square-metre flagship store operated by PMW, a subsidiary of HHR.

Hutchison MediPharma is Chi-Med's wholly owned drug research and development company focusing on botanical drugs, semi-synthetic natural product drugs, and synthetic single chemical entity drugs.

Telecommunications

The Group's telecommunications division consists of a 49.7% interest in Hutchison Telecommunications International ("HTIL"), which is listed on the Stock Exchange of Hong Kong and the New York Stock Exchange, and the **3** Group businesses.


Israel
Sweden
Austria
Denmark
Norway
United Kingdom
Republic of Ireland
India
Thailand
Hong Kong
Ghana
Australia
Indonesia
Macau
Vietnam
Italy
Sri Lanka

OPERATIONS REVIEW

Telecommunications

HTIL holds the Group's interests in 2G and 3G mobile operations in Hong Kong, Macau, Israel and Indonesia, 2G mobile operations in India and Sri Lanka, CDMA2000-1X operations in Thailand, Vietnam and Ghana, and a Hong Kong fixed-line operation. The **3** Group is one of the world's leading operators of 3G mobile telecommunications technology with **3** branded businesses in seven countries in Europe and Australia.

Hutchison Telecommunications International

HTIL announced full-year turnover of HK$33,378 million, a 37% increase over last year. HTIL's profit attributable to shareholders for the year was HK$201 million, compared to a loss attributable to shareholders of HK$768 million in 2005. This turnaround of 126% to a profit position is mainly due to the strong growth in its mobile operations in India and Israel, the improved performance of the Hong Kong and Macau mobile operations and reduced losses incurred by the operations in Thailand. This was partially offset by start-up losses of the Vietnam and Indonesia businesses. At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase over the beginning of the year. The Group's share of HTIL's turnover and EBIT amounted to 8% and 6% of the total revenue and EBIT of the Group's established businesses respectively.

Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India, for a consideration of approximately US$11,080 million (approximately HK$86,570 million).

"At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase."

The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK$6.75 per share after completion. The Group's share of the HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million and its share of special cash dividend will be HK$15,976 million.

Hutchison Essar becomes a national mobile telecommunications operator in India.

In India, HTIL's 2G mobile customer base grew 104% during the year to 23.3 million. Turnover increased 55% to HK$15,455 million and EBITDA after deducting all CACs increased 51% to HK$4,900 million.

In Israel, HTIL's 51.1%-owned Partner Communications ("Partner") announced revenues of US$1,327 million, a 9% increase, and profit attributable to shareholders of US$162 million, a 92% increase, primarily due to the sustainable growth in the customer base and the acquisition of high quality customers, increased contribution from data usage and the reduction of interest expenses, which was significantly higher in 2005 due to non-recurring finance costs incurred in the restructuring of debts. At 31 December 2006, Partner had 2.7 million 2G and 3G customers, including a 3G customer base which increased by 168% during the year to approximately 276,000 customers as at 31 December 2006. Partner is listed on the stock exchanges of Tel Aviv, London and Nasdaq.

In Hong Kong and Macau, the mobile operations' combined turnover increased 9% to HK$4,199 million and Reported EBITDA, after expensed prepaid CACs, increased 75% to HK$1,349 million. Combined customer base totalled 2.1 million as at 31 December 2006. The healthy increase in financial performance reflects the full-year benefits realised from the restructuring and rationalisation exercise undertaken during 2005 to increase efficiency and realise cost savings. The mobile business in Hong Kong is the leading 3G operator and one of the largest mobile operators with a 3G customer base now in excess of 800,000. With the launch of High Speed Downlink Packet Access ("HSDPA") on its 3G network in 2006, the growth momentum of the 3G customer base is expected to continue.

In Hong Kong, the fixed-line telecommunications business continued to grow, particularly the residential broadband service. Turnover was HK$2,406 million in 2006, a 9% increase from 2005 and EBITDA was HK$874 million, a 26% increase from last year, reflecting benefits from last year's cost-saving initiatives and the growth in international and local data services and residential broadband services.

In Thailand, despite a competitive and challenging environment, the business achieved positive EBITDA after deducting all CACs through streamlining the operations and cost controls. Turnover was HK$1,017 million and EBITDA after deducting all CACs was HK$57 million in 2006, an improvement of 480% from a comparable LBITDA of HK$15 million in 2005.

In Sri Lanka and Ghana, both businesses achieved healthy growth in their customer base through the expansion of their network coverage and enhancement of network quality. This growth momentum is expected to continue in 2007.

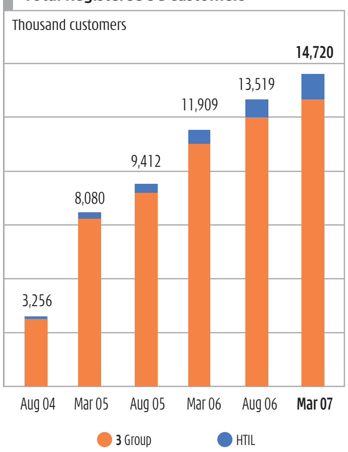
In Vietnam, HTIL has an investment licence to engage in a business cooperation with Hanoi Telecommunication Joint Stock Company to operate a nationwide mobile telecommunications network. The operation has recently commenced offering commercial services.

In Indonesia, HTIL has a 60% interest in PT Hutchison CP Telecommunications, which owns a nationwide licence to provide 2G and 3G services. Network rollout is in progress and commercial services are being launched.

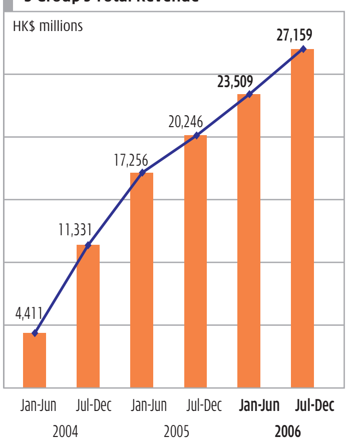
3 Group

	2006 HK$ millions	2005 HK$ millions	**% change**
Total Revenue	**50,668**	37,502	**+35%**
LBIT	**(19,996)**	(36,280)	**+45%**

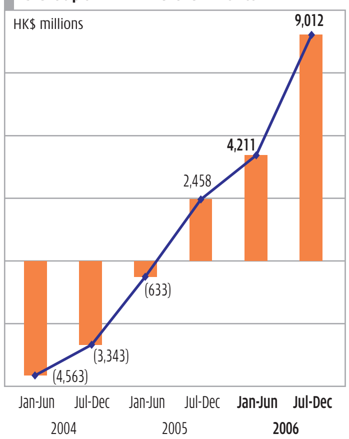
Total Registered 3G Customers



3 Group's Total Revenue



3 Group's EBITDA Before All CACs



Partner expands its service centres' network across Israel.

HT Mobile in Vietnam introduces one-stop sales and customer service centres as well as self-service downloading counters.

"The 3 Group reported total revenue of HK$50,668 million, a 35% increase from 2005."

The **3** Group comprises the 3G mobile operations in Italy, the UK, Ireland, Australia, Sweden, Denmark and Austria, and holds a licence for the development of a 3G network in Norway.

During the year, the **3** Group continued to grow their customer and revenue bases and reduce operating losses and cash outflows by focusing on the acquisition and retention of higher-value contract customers, reducing churn and offering new higher-margin value-added services to maintain their 3G market leading positions. The Group's registered 3G customer base (including the 3G customers of Hong Kong and Israel) grew 30% during the year to 14,346,000 at 31 December 2006 and currently stands at 14,720,000. The proportion of active customers of the registered customer base was approximately 79% at the end of the year. All seven of the 3G mobile operations within the **3** Group increased their respective market shares in 2006 led by **3** Italia, with an estimated market share of 9%, **3** Australia with 6% and **3** UK with over 5%, measured by customer numbers. Average revenue per user on a trailing 12-month average active customer basis ("ARPU") increased 8% in 2006 to €45.63, reflecting the improved quality of the **3** Group's customer base with the proportion of the lower-risk, higher-value contract customers increasing from 40% last year to 45% at the end of 2006. Competition for new customers continued to be strong in all of the **3** Group's markets and during the year, the **3** Group increased its usage of promotional discounts on contract tariff plans. The use of promotional discounts, which averaged below 4% of ARPU in 2006, is anticipated to increase for contract customers in 2007 in response to intensifying specific market competition. As a result of the growth in both customer base and ARPU, the **3** Group reported total revenue of HK$50,668 million, a 35% increase from 2005. EBITDA before all CACs improved 625% to HK$13,223 million.

Higher-margin non-voice revenues continued to grow as a percentage of ARPU. Average non-voice revenue per user as a percentage of ARPU for 2006 increased to 30%, compared to 25% for 2005. Our expanding range of value-added services have become increasingly popular with our customers and non-voice service revenues are expected to be further enhanced with the recently launched X-Series portfolio of services. In strategic alliances with key Internet players such as Skype, Sling Media, Yahoo!, Google, eBay, Microsoft, Orb amongst others, the X-Series portfolio of services allow **3** customers to effectively use their mobile phones in the same way as they use their home personal computer broadband service. With a flat-access fee similar to fixed-line broadband, customers can enjoy unlimited usage of the most popular Internet applications anywhere and anytime. In addition, customers can access their home computer and watch programmes of their choice from their home television remotely via their handsets.
This new charging structure overturns the traditional mobile telephony model of charging per minute, per message and per click and is made possible by the rapid development of our Internet Protocol capable mobile network, HSDPA network upgrades and other efficiency improvements. Our networks are in various stages of upgrading for the HSDPA mobile broadband capability standard which supports data downlink transmission speeds of up to 3.6 Megabits per second or almost six times faster than current standards. This upgrade has the additional benefit of increasing network capacity by up to four times. Competitively priced high-speed HSDPA handsets, data cards and other wireless broadband access devices are becoming more widely available and are currently offered in our markets.

The **3** shop in Milan, Italy is decorated with festive celebrations during Christmas.

Despite intensifying competition in all markets, the **3** Group reduced average monthly customer churn from 3.2% in the first half to 2.6% in the second half, resulting in a full-year average of 2.9% for 2006. Management continues to focus on reducing churn through changing marketing and sales strategies according to the various markets' needs, increasing customer satisfaction with the quality of our networks, developing new service offerings and offering a full range of leading-edge handsets and other mobile devices.

Margins also continued to improve due to the economies of scale from a larger customer base, stringent controls over operating costs and outsourcing the operational management of the network infrastructure.

Although the proportion of customers acquired or retained on contracts, for which the acquisition costs are typically higher than for prepaid customers, was significantly higher compared to last year, total CACs reduced by 12% in 2006 to total HK$20,717 million, primarily due to the lower unit cost to acquire a customer that averaged €250 per customer in 2006, compared to the €293 for 2005. This favourable declining trend of average acquisition cost has resulted primarily from the lower cost of handsets negotiated.

LBITDA after deducting all CACs for the **3** Group reduced significantly, to HK$7,494 million, which, compared to HK$21,717 million in 2005, represented a 65% improvement. All the **3** Group's operations improved, particularly **3** Italia, which reported its first full-year positive EBITDA after deducting all CACs, and also **3** Australia, which reported positive EBITDA after deducting all CACs on a sustainable monthly basis starting in July. As such, monthly revenues generated by these two businesses now cover their operating costs and also the costs of growing their customer bases and recurring revenue streams. As a whole, the **3** Group's target is to achieve positive EBITDA after deducting all CACs on a sustainable monthly basis in the first half of 2007.

The Group's accounting policy, consistent with the current interpretation of Hong Kong Financial Reporting Standards and last year's policy, is to expense prepaid CACs and to capitalise contract CACs, which are amortised and charged to the profit and loss account over the duration of the customer contract period, generally 12 to 24 months. Prepaid CACs reduced significantly during the year by 52% to total HK$5,494 million compared to HK$11,444 million last year, reflecting the focus during the year on acquiring the higher-value contract customers. As a result, the positive full-year Reported EBITDA, after expensed prepaid CACs, amounted to HK$7,729 million, a 180% turnaround from the comparable LBITDA of HK$9,619 million in 2005.

Depreciation and amortisation, which includes the amortisation of licence fees, other rights and capitalised contract CACs, increased 4% to HK$27,725 million in 2006, primarily due to the larger fixed asset base from expanded networks and higher amortisation charges on capitalised contract CACs from the enlarged contract customer base. The resultant LBIT for the **3** Group totalled HK$19,996 million, a 45% reduction from the HK$36,280 million reported last year.

The **3** Group's capital expenditure, which was approximately HK$11,559 million in 2006, reduced 18% compared to the HK$14,051 million in 2005.

The X-Series from **3**, launched on the UK network in December 2006, enable customers to make unlimited Skype to Skype calls for free.

3 Ireland opens its first mobile media store on the main shopping street in the heart of Cork.

Key Business Indicators

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

Customer Base

	Registered Customers at 21 March 2007 ('000)			Registered Customer Growth (%) from 31 December 2005 to 31 December 2006		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	5,365	1,825	**7,190**	18%	65%	**27%**
UK & Ireland	1,583	2,333	**3,916**	4%	22%	**14%**
Australia(1)	151	1,170	**1,321**	59%	96%	**90%**
Sweden & Denmark	94	628	**722**	-19%	64%	**46%**
Austria	120	306	**426**	16%	44%	**35%**
3 Group Total	7,313	6,262	**13,575**	15%	47%	**28%**
Hong Kong(2)	15	804	**819**	500%	61%	**63%**
Israel(1)	–	326	**326**	–	167%	**167%**
Total	7,328	7,392	**14,720**	15%	51%	**30%**

Customer Revenue Base

	Revenue for the 12 months ended 31 December 2006 ('000)			Revenue Growth (%) compared to the 12 months ended 31 December 2005		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	€1,144,071	€927,765	**€2,071,836**	16%	61%	**33%**
UK & Ireland	£147,123	£1,372,496	**£1,519,619**	-23%	50%	**37%**
Australia	A$65,198	A$783,718	**A$848,916**	87%	75%	**76%**
Sweden & Denmark	SEK55,668	SEK2,577,177	**SEK2,632,845**	1%	41%	**40%**
Austria	€6,842	€165,077	**€171,919**	-9%	32%	**30%**
3 Group Total	€1,412,163	€3,857,230	**€5,269,393**	9%	53%	**38%**

12-month Trailing Average Revenue per Active User ("ARPU")(3) to 31 December 2006

	Total				Non-voice	
	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2005	ARPU	ARPU %
			Local Currency/HK$		Local Currency/HK$	
Italy	€25.38	€58.41	**€33.99/332**	-3%	€11.84/116	**35%**
UK & Ireland	£18.07	£56.05	**£46.57/670**	35%	£13.44/193	**29%**
Australia	A$44.24	A$74.16	**A$70.50/413**	-10%	A$17.22/101	**24%**
Sweden & Denmark	SEK61.71	SEK460.24	**SEK404.33/430**	6%	SEK83.95/89	**21%**
Austria	€17.98	€55.47	**€51.22/501**	-5%	€9.43/92	**18%**
3 Group Average	€25.23	€64.77	**€45.63/447**	8%	€13.70/134	**30%**

Note 1: Active customers as at 31 December 2006 announced by listed subsidiary HTAL and listed associate Partner Communications updated for net additions to 21 March.

Note 2: Customers as announced by listed associate HTIL as at 20 March.

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

Italy

3 Italia, in which the Group has a 95.4% interest, continued to improve its market share at a steady pace. The registered customer base increased by 27% in 2006 to total 7.08 million at 31 December 2006 and currently stands at 7.19 million. Active customers as a proportion of the total registered customer base was 76% at the end of 2006. Although ARPU declined modestly from €34.87 to €33.99 per month, this ARPU remains at a premium to the Italy mobile market average due to higher than market average spend on non-voice services, which was 35% of ARPU, a five percentage-point increase on the 30% reported for 2005. Revenue, in local currency, grew 33% during the year, reflecting increased revenue from the enlarged customer base.

EBITDA before all CACs, in local currency, was 151% better than last year. In addition, **3** Italia reported its first full-year positive EBITDA after deducting all CACs in 2006. This encouraging performance was achieved by expanding the customer base, maintaining ARPUs and focusing on effective cost control measures.

Customer churn improved from 2.5% per month in 2005 to 2.2% in 2006.

During the year, **3** Italia commenced the offering of Digital Video Broadcast-Handheld ("DVB-H") Mobile Television services, with interactive digital video broadcasting capabilities, providing full content mobility for customers. DVB-H customer base stands at over 400,000 as at 21 March 2007. To further grow its customer base, **3** Italia continued to enhance its network capabilities and has been upgrading its network with HSDPA capabilities which currently extends to approximately 57% of the network and with coverage available in most major cities.

UK and Ireland

The combined registered customer base of wholly-owned subsidiaries, **3** UK and **3** Ireland, where its 3G business is still at a relatively early stage of development, has grown steadily by 14% from 31 December 2005 to 3.9 million at 31 December 2006 and currently is at approximately the same level. The moderate growth in the overall combined customer base is attributable to the strategy of focusing more on higher-value contract customers, which grew by 22% during the year, and limiting activity in the prepaid customer market. The benefit of this strategy can be seen in the improved ARPU, which increased 35% from £34.51 in 2005 to £46.57, reflecting the improving quality of the customer base and **3** UK's ARPU continued to be above the UK mobile market average. In addition, active customers as a proportion of the combined registered base was 75% at 31 December 2006. Another encouraging trend is the increase in higher-margin non-voice revenue which rose to 29% of combined ARPU, compared to 23% in 2005. Combined revenue, in British pounds, grew 37% during the year, reflecting the ARPU improvement and larger customer base.

Customer churn, which prudently includes the potential disconnection of inactive prepaid customers currently on the registered customer base, has continued to decline relative to the first-half. Churn for the second-half averaged 3.8% per month compared to 6.0% in the first-half of the year, resulting in average churn for the year of 4.9%.

Despite intense competition, **3** UK and **3** Ireland achieved positive combined EBITDA before all CACs, an 817% turnaround from the comparable LBITDA last year. In addition, the **3** UK business reported a HK$1,731 million foreign exchange gain arising from the partial repayment of a non-Sterling denominated intercompany borrowing which was refinanced by the issuance of £700 million long-term Sterling notes and bank loans of £300 million which provide a natural currency hedge against **3** UK's revenue stream and underlying assets.

3 Austria's special campaign "platinblond" connects Sony Ericsson W850i with Christina Aguilera's concert in Vienna, December 2006.

The rollout of HSDPA across the **3** UK network is being phased to provide coverage in major cities in the latter half of this year. In addition, **3** UK recently announced that its network has reached 90% population coverage.

Australia

The Group's 57.8% owned listed subsidiary in Australia, Hutchison Telecommunications Australia ("HTAL"), announced 90% growth of its active customer base from 31 December 2005 to approximately 1,245,000 at 31 December 2006 and currently stands at approximately 1,321,000 active customers. The growth in the customer base was due to the combined effect of the pro-active migration of customers from its 2G CDMA network, which was closed in August, to its **3** network as well as customer additions during the year. HTAL announced revenue from its 3G operations of A$849 million, 76% better than 2005. ARPU declined 10% to A$70.50 per month in 2006, mainly due to dilution impact of its ex-CDMA customers who historically have spent less on non-voice services. The higher-margin non-voice ARPU remained in line at A$17.22 per month and represented 24% of ARPU in 2006. The HSDPA network upgrade has been progressing well and coverage is now available in Sydney and Brisbane. The upgrade of the full network is expected to complete soon.

Other 3 Group Operations in Europe

In Sweden and Denmark, in which the Group has 60% interest, the combined registered customer base grew 46% to total 671,000 at 31 December 2006 and currently totals 722,000. ARPU increased 6% from SEK382.90 to SEK404.33 (HK$430). The proportion of revenue from the higher-margin non-voice services increased from 16% of ARPU in 2005 to 21% in 2006. Combined revenue, in Swedish Kronas, increased by 40% compared to 2005. As a result of the higher revenue, the operation in Sweden achieved its first full-year positive EBITDA before all CACs, offset by the start-up losses in Denmark. In addition, a foreign exchange gain of HK$428 million arising from the Group's refinancing of bank loans denominated in Swedish Kronas was reported. The HSDPA upgrade of the networks is progressing well. The upgrade is completed in Denmark and over 30% of the network in Sweden has been upgraded.

The registered customer base of wholly-owned subsidiary **3** Austria increased by 35% during 2006 to 407,000 at 31 December 2006 and currently totals 426,000. ARPU declined 5% from €53.92 in 2005 to €51.22. The proportion of revenue from the higher-margin non-voice services increased from 14% of ARPU in 2005 to 18% in 2006. Revenue, in local currency, increased by 30% compared to 2005 and LBITDA before all CACs reduced by 82% to an almost breakeven position. The HSDPA upgrade of the existing network has been completed.

INTEREST EXPENSE, FINANCE COSTS AND TAX

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$20,346 million, an increase of 12%, mainly due to higher effective market interest rates. Further information on these expenses can be found in the "Group Capital Resources and Liquidity" section on page 56 of the annual report.

The Group recorded current and deferred tax charges totalling HK$7,151 million for the year compared to a net charge of HK$866 million in 2005. In 2005, the tax benefit of that year's tax losses, which can be carried forward indefinitely, was recorded as a deferred tax credit in the profit and loss account. No such deferred tax credits were recognised in 2006.

SUMMARY

The 2006 results reflect the overall growth in the Group's established businesses, the improved financial performance of the **3** Group, the profit on a strategic disposal transaction and the conservative financial profile of the Group. In 2007, the established businesses will continue to invest in expansion opportunities, mainly through organic growth, to sustain steady growth. The **3** Group will continue to improve its financial performance and is targeting to achieve overall positive EBITDA after deducting all CACs on a sustainable monthly basis in the first half of 2007.

The 2006 results were achieved through the concerted efforts and the focused dedication of the Group's employees and I would like to join our Chairman in thanking them for their continuing support and hard work throughout the year.

Fok Kin-ning, Canning
Group Managing Director

Hong Kong, 22 March 2007

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by the Executive Directors, which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. 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. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group cautiously uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transaction for speculative purposes.

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-Hong Kong or non-US dollar currencies, 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 and provide more cost-efficient financing. 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 debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively. The Group's main interest rate exposures relate to US dollar, British pound, Euro and HK dollar borrowings.

At 31 December 2006, approximately 51% of the Group's principal amount of borrowings were at floating rates and the remaining 49% were at fixed rates. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK$89,700 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$8,650 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 79% of the Group's principal amount of borrowings were at floating rates and the remaining 21% were at fixed rates at 31 December 2006.

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would refinance these businesses with local currency borrowings. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the year, the HK dollar weakened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised gain of HK$15,416 million (2005 charge – HK$13,904 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves.

At 31 December 2006, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$1,365 million to non-US dollar principal amount of borrowings to match currency exposures of the underlying businesses. The Group's borrowings, excluding loans from minority shareholders and after taking into consideration these currency swaps, are denominated as to 14% in HK dollars, 33% in US dollars, 8% in British pounds, 31% in Euro and 14% in other currencies.

Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their credit ratings and setting approved counterparty credit limits which are regularly reviewed.

Credit Profile

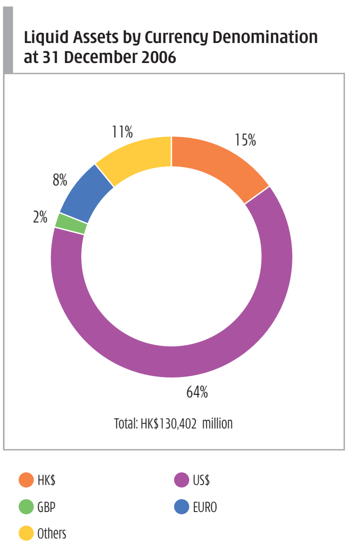
The Group aims to maintain a capital structure that is appropriate for long-term investment gradings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2006, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch.

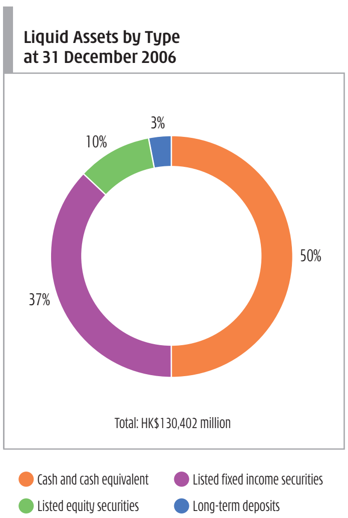
Liquid Assets

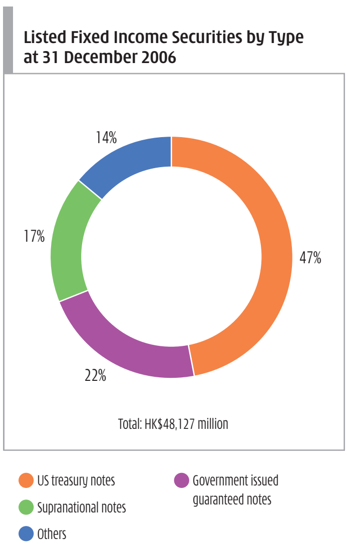
The Group continues to have a strong financial position benefiting from both the steady and growing cash flow from its established businesses and improving cash flow from the **3** Group businesses. Cash, liquid funds and other investments ("liquid assets") on hand increased 18% over last year's balance and amounted to HK$130,402 million at 31 December 2006 (2005 – HK$110,386 million). The year-on-year increase in liquid assets mainly reflects the cash proceeds of US$4,388 million received on the disposal of a 20% equity interest in the ports and related services division in April 2006. Of the liquid assets, 15% were denominated in HK dollars, 64% in US dollars, 2% in British pounds, 8% in Euro and 11% in other currencies.

Cash and cash equivalents represented 50% (2005 – 46%) of the liquid assets, listed fixed income securities 37% (2005 – 42%), listed equity securities 10% (2005 – 9%) and long-term deposits 3% (2005 – 3%).

The listed fixed income securities, including those held under managed funds, comprise US treasury notes (47%), government issued guaranteed notes (22%), supranational notes (17%) and others (14%). Of these listed fixed income securities, 83% are rated at Aaa/AAA, with an average maturity of approximately 2.1 years on the overall portfolio.







Cash Flow

Consolidated EBITDA before all CACs amounted to HK$96,853 million in 2006, a 32% increase from 2005. This included cash profits from disposals totalling HK$25,131 million, of which HK$24,380 million arose from the disposal of a 20% equity interest in the ports and related services division. Excluding the cash profits from disposals in both years, EBITDA before all CACs increased 26% to HK$71,722 million (2005 – HK$56,715 million). Funds from operations ("FFO"), before cash profits from disposals, capital expenditure, investment in all CACs and changes in working capital amounted to HK$31,096 million (2005 – HK$25,872 million), a 20% increase. The increase in recurring EBITDA and FFO are attributed to the solid and steady improvement in financial performance of the Group's established businesses and the significantly better **3** Group results which reported a 625% improvement in EBITDA before all CACs and 148% improvement in FFO. Recurring EBITDA and FFO from the Group's established businesses continued to be sound, totalling HK$58,499 million (2005 – HK$54,890 million) and HK$27,842 million (2005 – HK$32,681 million) respectively.

The **3** Group's investment in CACs totalled HK$20,717 million, a 12% reduction from last year's total of HK$23,543 million, mainly due to a lower average cost to acquire a customer. Prepaid CACs, which are expensed as incurred, totalled HK$5,494 million, a 52% reduction from last year's total of HK$11,444 million. Postpaid CACs totalled HK$15,223 million, an increase of 26% compared to HK$12,099 million last year due to a greater focus on and penetration of the postpaid customer segment, particularly in Italy, the UK and Australia.

In 2006, the Group's capital expenditures reduced by 11% to total HK$23,908 million (2005 – HK$27,006 million) of which HK$11,559 million (2005 – HK$14,051 million) related to the **3** Group. The decrease in the Group's total capital expenditures reflects the reduced **3** Group expenditures as a majority of its networks has been completed and the non-consolidation of HTIL, which became an associated company in December last year. Capital expenditures for the **3** Group decreased 18% to total HK$11,559 million (2005 – HK$14,051 million). Capital expenditures for the ports and related services division amounted to HK$9,049 million (2005 – HK$4,951 million); for the property and hotels division HK$221 million (2005 – HK$226 million); for the retail division HK$2,668 million (2005 – HK$2,454 million) and for the energy, infrastructure, finance & investments and others division HK$411 million (2005 – HK$500 million).

The capital expenditures of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

Debt Maturity and Currency Profile

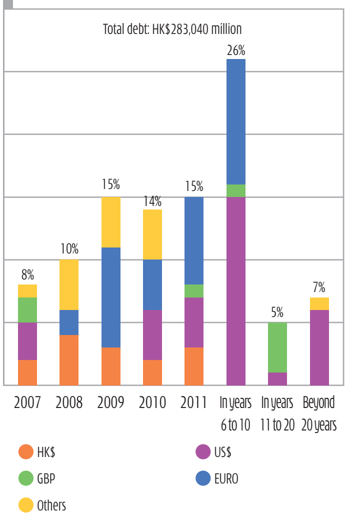
The Group's total borrowings, excluding loans from minority shareholders, at 31 December 2006 amounted to HK$283,040 million (2005 – HK$259,482 million). The increase in borrowings was mainly due to the effect of the translation of foreign currency denominated loans as a result of the weakened HK dollar of HK$14,293 million and the increased borrowings by the ports and related services division to fund its construction of new capacity at its existing terminals. Loans from minority shareholders, which are viewed as quasi equity, totalled HK$12,030 million at 31 December 2006 (2005 – HK$5,429 million). The increase arose as part of the sale of a 20% equity interest in the ports and related services division to PSA. The Group's weighted average cost of debt during 2006 was 5.7% (2005 – 4.7%).

The maturity profile of the Group's total borrowings, excluding loans from minority shareholders and after taking into consideration foreign currency swaps, at 31 December 2006 is set out below:

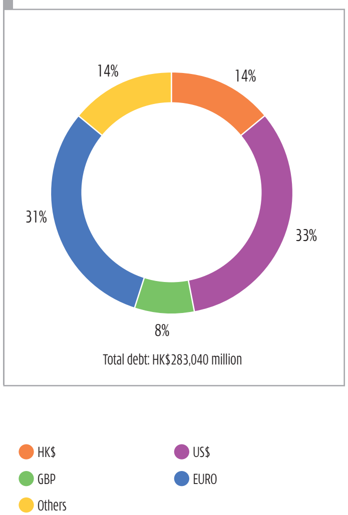
	HK$	US$	£	€	Others	Total
In 2007	2%	3%	2%	–	1%	8%
In 2008	4%	–	–	2%	4%	10%
In 2009	3%	–	–	8%	4%	15%
In 2010	2%	4%	–	4%	4%	14%
In 2011	3%	4%	1%	7%	–	15%
In years 6 to 10	–	15%	1%	10%	–	26%
In years 11 to 20	–	1%	4%	–	–	5%
Beyond 20 years	–	6%	–	–	1%	7%
Total	14%	33%	8%	31%	14%	100%

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. None of the Group's consolidated borrowings, as a matter of policy, have credit rating triggers that would accelerate the maturity dates of the debt outstanding.

Debt Maturity Profile by Period and Currency Denomination at 31 December 2006



Debt Profile by Currency Denomination at 31 December 2006



Changes in Financing

The significant financing activities in 2006 were as follows:

- In March, obtained a short-term bridging loan of €500 million (approximately HK$4,885 million) to refinance the redemption at maturity of a €500 million bond;

- In April, entered into a structured transaction with an investment bank involving a private placement of an effective, approximately 10% indirect interest in **3** Italia S.p.A. for a cash consideration of €420 million (approximately HK$3,864 million), which has been accounted for as debt as required pursuant to Hong Kong Financial Reporting Standards;

- In July, A S Watson obtained a five-year, floating rate, €600 million syndicated loan (approximately HK$5,862 million), mainly to refinance existing loans and provide funding to its operations in France;

- In September, issued ten-year, fixed rate, €1,000 million (approximately HK$10,260 million) of guaranteed notes to refinance existing indebtedness;

- In November, issued eleven-year, fixed rate, £300 million (approximately HK$4,581 million) of guaranteed notes to refinance a portion of the intercompany loan investment in **3** UK;

- In November, issued twenty-year, fixed rate, £400 million (approximately HK$6,108 million) of guaranteed notes to refinance a portion of the intercompany loan investment in **3** UK;

- In November, obtained a short-term 6-month, floating rate, £500 million (approximately HK$7,635 million) bank loan facility to refinance a portion of the intercompany loan investment in **3** UK; and

- In December, arranged a five-year, floating rate, €3,000 million (approximately HK$30,780 million) syndicated bank loan facility, which was fully drawn in January 2007, to refinance **3** Italy's existing loans.

Capital, Net Debt and Interest Coverage Ratios

The Group's total shareholders' funds increased 12% to HK$273,794 million at 31 December 2006 compared to HK$243,554 million at the end of last year. The increase in shareholders' funds mainly reflects the profit for the year and the favourable impact of exchange translation differences arising on translation of the net assets of overseas businesses to HK dollars recorded in reserves as mentioned previously.

At 31 December 2006, consolidated net debt of the Group, excluding loans from minority shareholders which are viewed as quasi equity, was HK$152,638 million (2005 – HK$149,096 million) and on this basis, the Group's net debt to net total capital ratio decreased to 33% from 36% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratio calculated on the basis of including loans from minority shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at 31 December 2006. The pro-forma column shows these ratios after accounting for receipt of the HK$15,976 million special dividend announced by HTIL payable upon the imminent completion of the announced sale of its India mobile telecommunications operation.

Net debt / Net total capital ratios at 31 December 2006:	Total	Pro-forma
A1 – excluding loans from minority shareholders from debt	33%	29%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	27%	23%
B1 – including loans from minority shareholders as debt	36%	31%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	29%	25%

The Group's consolidated gross interest expense and finance costs of subsidiaries, before capitalisation for the year, increased to total HK$17,036 million, compared to HK$15,984 million last year, mainly due to higher effective market interest rates in 2006, partially offset by a lower average loan balance due to the non-consolidation of HTIL.

Consolidated EBITDA and FFO before all CACs covered consolidated net interest expense and finance costs 7.9 times and 3.6 times respectively (2005 – 6.5 times and 3.3 times).

Secured Financing

At 31 December 2006, the shares of H3G S.p.A. owned by the Group were pledged as security for its project financing facilities. The assets of H3G S.p.A. amounted to approximately HK$81,007 million (2005 – HK$66,845 million). In January this year, the project financing facilities were repaid and the shares are not pledged under the new replacement syndicated bank loan. In addition, HK$10,781 million (2005 – HK$8,554 million) of the Group's assets were pledged as security for bank and other loans of the Group.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies, but not drawn at 31 December 2006, amounted to the equivalent of HK$12,946 million (2005 – HK$4,007 million), of which HK$3,182 million (2005 – HK$2,628 million) related to the **3** Group.

Contingent Liabilities

At 31 December 2006, the Group provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$13,322 million (2005 – HK$15,125 million), and provided performance and other guarantees of HK$5,681 million (2005 – HK$6,165 million).

Risk Factors

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 and hotels, retail, infrastructure and energy, and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduce 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, 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 condition and results of operations.

Cashflow and Liquidity

From time to time, the Group accesses the short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions are impacted by many factors which, among others, include the Group's credit ratings. Although the Group aims to maintain a capital structure that is appropriate for long-term investment gradings, the actual credit ratings may depart from these levels due to economic circumstances. If the credit ratings of the Group decline, the availability and cost of borrowings could be affected and thereby impact the financial condition and results of operations of the Group.

Currency Fluctuations

The Group reports its results in Hong Kong dollars but its subsidiaries and associated companies in various countries around the world receive revenue and incur expenses in approximately 50 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 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 technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- vertical integration of international shipping lines, who are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require the use of the Group's terminal facilities;

- 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;

- 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;

- 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; and

- risk of competition from entities providing alternate telecommunications technologies and potential competition in the future from substitute technologies being developed or to be developed.

Strategic Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries, associated companies and jointly controlled entities 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, associated companies and jointly controlled entities and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries, associated companies and jointly controlled entities 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 geographical spread of its established businesses through investment in organic growth and 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. The process of coordination and integration of these new businesses with the existing operations may require significant investment of executive management time and other resources. If the integration process disrupts the existing operations or the Group fails to operate the acquired businesses successfully and thereby not achieve the expected financial benefits, the financial condition and results of operations of the Group could be adversely affected.

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 operations of the Group.

As at 31 December 2006, the Group had a total deferred tax asset balance of HK$17,159 million, of which HK$16,680 million was attributable to the Group's 3G operations in the UK where, among other things, tax losses can be carried forward indefinitely. The ultimate realisation of these deferred tax assets depends principally on the Group's businesses achieving profitability and generating sufficient taxable profits to utilise these unused tax losses. If there is a significant adverse change in the projected performance and resulting taxable profits of the businesses, some or all of these deferred tax assets may need to be reduced and charged to the profit and loss account, which would have an adverse effect on the Group's financial condition and results of operations. In the UK, the Group can enjoy group relief for tax purposes to utilise the tax losses generated by its 3G operation to offset taxable profits generated by the Group's other operations in the same period.

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 or the World Trade Organisation. 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 property development 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 changes or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations, including the Group's port operations.

The Group's joint venture development projects in the Mainland are dependent on obtaining the approval of various governmental authorities at different levels, receipt of which cannot be assured. Changes in the government policies may affect, among others, the level of investment and funding requirements from the Group in these joint venture development projects and henceforth the overall return attributable to the Group.

Husky Energy's business is subject to environmental laws and regulations common with other companies in the oil and gas industry. In meeting its regulatory obligations, Husky Energy incurs costs for preventative and corrective actions. Changes in these regulations could have an adverse effect on Husky Energy'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 infrastructure and energy 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 Co., Ltd ("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 31 December 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. Hongkong Electric has started negotiations with the Hong Kong Governement on the post-2008 regulatory regime. There can be no assurance that changes to the Scheme of Control or the terms of a new Scheme of Control or there ceasing to be a Scheme of Control in the future will not adversely affect the Group's financial condition and results of operations.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by competent authorities in individual countries. All of these licences are issued for a limited period of time and may not be renewed, or, if they are renewed, their terms may be changed. These licences contain a number of requirements regarding the way the Group must conduct its businesses, 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 licences. Decisions by regulators regarding the granting, amendment or renewal of licences 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 different 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 conducts 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 could, from time to time, adversely affect 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 investments.

Impact of New Accounting Standards

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. To this end, the HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2005. The Group has adopted retrospectively, where required, all the new and revised HKFRS and reflected the effects of these changes in its 2005 audited consolidated financial statements. HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS could have a significant impact on the Group's financial position and results of operations.

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in the Mainland, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Recently, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A" among birds, poultry and in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease. If such an outbreak were to occur, it may have a material adverse impact on the operations of the Group and its results of operations may suffer.

Employee Relations

Behind every successful enterprise, be it big or small, there is always a common element – an efficient workforce. We recognise the importance of good employee relations, which is imperative to the continued growth of the Group as a leading multi-national corporation.

The Group is fortunate to have in its employment more than 220,000 people who are devoted to working towards the common goal of ensuring the long-term success of their respective operations. We are committed to providing a safe, effective and congenial work environment for our people at all levels, with advancement opportunities for those with capabilities and dedication. We invest in their professional growth as well as personal development as we believe in growing this valuable resource in the same way we grow our businesses worldwide.

Development

Our employees can learn what it takes to succeed through a wide range of internal and external training courses to develop their business expertise and skill sets. We have implemented an e-learning programme to enable our employees to acquire knowledge in a self-paced and fun process. In addition, the Group's different companies will from time to time work with external human resource experts to design and develop training programmes that best meet the specific needs of our diverse business operations. We also encourage our employees to enroll in professional courses to acquire new skills or attain industry recognition and add value to their personal development. Employees can apply for either education subsidy or study leave for courses relevant to their present jobs or functions.

Diversity

We embrace diversity, which is manifest in our culturally diverse workforce spanning 56 countries. Our human resource managers across the Group are charged with the responsibilities to ensure all employees and applicants enjoy equal opportunities and are treated with fairness.

Remuneration

We value talented people and believe in rewarding employees according to their performance and productivity. The Group reviews every year its remuneration scheme and seeks to ensure its compensation packages are competitive in respective local employment markets. We provide our employees with comprehensive medical, life and disability insurance plans and retirement schemes. Our employees also enjoy a wide range of product and service discounts offered by various Group companies.

Fellowship

In an effort to enhance the sense of belonging and fellowship among employees, we organise numerous employee activities throughout the year. In particular, the group-wide sports and family day in Hong Kong provides an opportunity for our employees to get to know one another better. Employees and their families are treated to a day packed with fun games. Some group companies will use this occasion to showcase their new products and services by setting up exhibition or game booths that aim at creating a carnival atmosphere for all to participate and enjoy.

The annual sports and family day enhances the sense of belonging and fellowship among employees.

The Group's European colleagues enjoy various relaxing and educational activities at the Drogas "Sun and Fun Day".

Corporate Social Responsibility

As a public company, the Group understands its primary obligation to its shareholders. In 2006, the Group continued to demonstrate good corporate citizenship by either participating in charitable activities or sponsoring initiatives that serve the betterment of people around the world.

Environment

The notion of environmental protection has a broader meaning to the Group and is manifest in its endeavours to improve not only the living environment of people but also the survival of wildlife.

In Hong Kong, Hongkong Electric ("HKE") donated over HK$200,000 to the World Wide Fund for Nature ("WWF") and joined WWF's Corporate Membership Programme 2006 to help enhance public awareness of environmental protection. In addition, events that lent direct support to the environment were also organised, including participation of the Tree Planting Challenge 2006 by the A S Watson ("ASW") group employees and PARKnSHOP's involvement in the "Say No to Plastic Bags" campaign, a big success with customers cutting back on using plastic bags and the sale of 200,000 environmentally friendly shopping bags.

In Canada, Husky Energy ("Husky") continues its support to important environmental protection programmes. Ducks Unlimited (Canada) has been a main beneficiary of the company's community-giving initiatives over the past 16 years. In 2006, Husky added C$60,000 to its cumulative total of C$600,000 donation to the organisation in support of Ducks Unlimited's efforts in wetland habitat restoration and education.

Husky also renewed its donation to the Calgary Zoo and its commitment of C$250,000 over the next five years will allow the Husky Energy Endangered Species Reintroduction Research Programme to expand to include two more endangered species. The donation will also assist the Calgary Zoo's Centre for Conservation Research to become North America's leader in reintroduction research.

Cheung Kong Infrastructure's ("CKI") associated companies in Australia demonstrated their environmental responsibility through various means. In 2006, ETSA Utilities contributed A$91,000 to "Trees for Life" and SA Museum while CitiPower and Powercor allocated an annual environment sponsorship budget of A$150,000 to fund The Education Foundation.

To help the globe in combating carbon emission, **3** Italia has developed a carbon management system that measures its efforts in reducing carbon production. In order to lower the indirect emissions as a result of its energy consumption, **3** Italia decided to purchase electricity from renewable energy sources. During 2006, all of its offices, shops and around 75% of its base stations switched to green energy, reducing about 70% of the company's total carbon emissions.

HWL volunteers convey the 3Hs message through a series of interactive activities.

Community

Showing support to its Hong Kong hometown, the Group sponsored the ITU Telecom World 2006, held for the first time outside ITU's home base in Geneva.

The Group's aspiration to serve the community is reflected in the enthusiastic support of the HWL Volunteer Team formed by its employees in Hong Kong. Under the theme of 3Hs – Harmony, Health and Happiness – hundreds of HWL volunteers have contributed their time and energy to help children and families lead a harmonious, healthy and happy life through a range of interactive events.

During the year, Hutchison Port Holdings ("HPH") extended its sponsorship to the Hong Kong Maritime Museum by contributing HK$1 million for the museum's operating expenses for the next four years. This donation is in addition to the HK$2 million made by HPH in 2004 to fund the museum's construction as well as its operating costs for the first two years.

In Europe, several ASW's subsidiaries made significant community contributions in 2006 to improve the well-being of people. Donations and sponsorships in kind to the respective local societies valued over US$1 million altogether. Highlights include Superdrug's partnership with the Prince's Trust, a charity that helps young people in the UK to overcome barriers. Meanwhile, Marionnaud provided financial and material support to the Federation Nationale Solidarite Femmes, an association that campaigns against domestic violence in France.

Husky also contributed C$50,000 to the Society for Treatment of Autism to build the Husky Energy Gymnasium, a facility especially designed to meet the physical needs of children with autism.

Education

Nurturing talent and facilitating education development of local communities have been a focus of the Group to help build a better world.

In 2006, the Group pledged further financial support for the Hutchison Chevening Scholarships to allow postgraduates from Hong Kong and the Mainland to study in the UK. The new commitment of £504,000 will fund 60 outstanding young postgraduates to study at Cambridge and leading British universities.

The HPH Dock School Programme added seven more schools in Asia and Europe during the year, bringing the total to 18 Dock Schools around the world. All the Dock Schools lend support to students by offering scholarships and school supplies in various forms.

Individual ports of HPH also support the education sector of their local communities in a variety of ways. In 2006, Panama Ports Company contributed over US$120,000 to support various education institutions, launch the "Rural School Programme" and sponsor school sports tournaments. HPH's subsidiary in Mexico helped build computer centres equipped with Internet access for eight public primary and secondary schools across four Mexican states, while its counterpart in Argentina donated computer equipment to schools and charitable organisations.

Hutchison Telecommunications International's Thailand operation continued its support by installing wireless Internet access to schools in the mountainous areas during the year.

Hutchison Whampoa Property also donated computers to a primary school in Zhuhai's rural area, benefiting about 400 students.

Tanzania International Container Terminal Services donates 500 bags of cement to Visitation Girls Secondary School for building additional dormitories.

Husky vigorously supports the Calgary Zoo's endangered species research programme.

CKI's associated companies in Australia launched The Endeavour Australia Cheung Kong Scholarship Programme in conjunction with the Australian government to encourage educational exchange between Asia and Australia. Under the programme, the CKI companies will provide funding of A$3.75 million over a period of five years.

3 Italia raised funds of over €135,000 in total for nine projects dedicated to education during 2006. In particular, the "Smile Factory" project had raised €90,000 for a charity called Mediafriends Onlus which promotes education and supports underprivileged children.

Back to Hong Kong, HKE continued to foster development of the local education sector. HKE established the "Hongkong Electric Clean Energy Fund", which will provide HK$1 million to promote better understanding and application of renewable energy.

Medical

The Group is also keen on supporting initiatives that aim at promoting public health and medical research and development. Substantial donations were made to various medical establishments and social service organisations to either fund medical research projects or purchase expensive equipment during the year.

ASW donated HK$150,000 during the year to "Art in Hospital" to help make the environment of Hong Kong hospitals warmer and livelier. Watsons Your Personal Store contributed over HK$800,000 to Sheen Hok Charitable Fund and the Hong Kong Marrow Match Foundation to support youngsters and children, especially those who need marrow match operations.

In Europe, Kruidvat, ASW's subsidiary in the Netherlands, continued its support to the Groningen Expert Centre with a donation of €2.25 million to fund the on-going research on the metabolic processes that can lead to obesity in children, and ways to treat and prevent it.

In the UK, Superdrug ran a "SAFE" campaign to heighten public awareness of skin cancer and raise funds for research projects. It also lobbied the UK government to reduce Value Added Tax on children's sun protection products.

Fighting cancer is traumatic enough for children and having to travel long distances for medical treatment only adds to this burden for both the children and their families in Panama. With the help of Panama Ports Company and other sponsors, a 16-room inn was opened by the Foundation of Children with Leukemia and Cancer, providing accommodation to children who come from all over the country to receive cancer treatment.

Having established a long-term cooperation with the Youth Red Cross, **3** Austria has donated €20,000 for the organisation's social work. In addition, they also paid €1.50 to the Youth Red Cross for each used mobile handset it collected from schools.

In Australia, financial support was given by CKI's associated companies to auxiliary medical services and hospice care home. In 2006, they contributed US$570,000 to the Lifeflight Children's Helicopter and made donations and sponsorships in kind worth US$41,000 to the Health Kitchens of Mary Potter Hospice.

Arts and Culture

The Group's concerns about the well-being of the communities extend to arts and cultural events in different countries and territories. Regardless of the forms of assistance, support in this area does not only foster our group companies' relationships with key stakeholders, but also promotes social development in a far-reaching way.

Recipients of Hong Kong Student Sports Awards, sponsored by A S Watson, join a sports exchange tour to Beijing.

Apart from sponsoring festive events, HKE donated HK$100,000 to the Solar Project 2006 Concert. Hutchison Whampoa Property Group's residential properties in Xian and Chengdu held a large-scale children drawing competition, which attracted participation of over 10,000 primary school students in their cities. At the award ceremony, around 1,000 students and their families gathered to draw picture scrolls of 160-metre long in Xian and 200-metre long in Chengdu, creating records of the longest picture scroll in their cities respectively.

Sports

Sports development is also within the social responsibility spectrum that the Group has been offering its support. The Group continues to support the Beijing 2008 Olympic Games that will be held in the Chinese capital and many co-host cities including Hong Kong. The Group's subsidiary companies have either developed on-going award programmes or sponsored major sporting events that enhance sports development and kindle public interest.

ASW made tremendous efforts in this regard by setting up the Hong Kong Student Sports Awards in 2005. The company has channelled HK$1 million into the programme to encourage young people to strive for sports excellence. Enthusiastic response was received in 2006 from primary and secondary students applying for the awards.

Watsons Water and TOM Group continued to play as major sponsors for two star-studded tennis tournaments, namely the Watsons Water Champions Challenge in Hong Kong and the China Open Tennis Tournament in Beijing.

In a country famous for its sporting prowess and quality lifestyle, ETSA Utilities in Australia actively endorsed sports-related activities and sports associations during the year with donations and sponsorships in kind worth nearly A$100,000. The beneficiaries include ETSA Park, ETSA Contax Netball Club and South Australian Football League.

3 Australia became a major sponsor of Essendon Football Club in the Australian Football League in 2006. Essenden has one of the largest memberships among Australian football clubs. **3** Australia also cooperated with Cricket Australia to sponsor the national cricket team. The sponsorship allowed **3** Australia to launch an exclusive live mobile cricket TV channel which had buoyed subscriber take-up.

Disaster Relief

At times of natural disasters, our Group responds in zero time delay to deliver the best support to the devastated cities or territories. Help is given in financial terms or by delivering daily necessities that resolve the urgent needs of the victims.

Yantian International Container Terminals donated RMB3 million to help victims affected by Typhoon Bilis, which caused a loss of hundreds of lives in the Guangdong province in July 2006. Elsewhere, Karachi International Container Terminal donated new computers to the schools in northern Pakistan which were rebuilt following an earthquake in late 2005. Meanwhile, HPH's port operations in Tanzania and Jakarta each donated US$100,000 to help drought and earthquake victims in March and May 2006 respectively.

Earthquake victims in Indonesia were also aided by PARKnSHOP in Hong Kong, which collected customer donation of almost HK$600,000 and channelled the funds to the needy via the Red Cross.

Thailand was hit by serious floods in May 2006 and Watsons Thailand immediately delivered a selection of essential items, including soap, shampoo, drinking water and medicine to help villagers who were affected by the disaster.

The "Hongkong Electric Clean Energy Fund" supports the study and development of renewable energy in the local education sector.

Biographical Details of Directors and Senior Management

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 78, 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 within the meaning of Part XV of 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 is a current member of the International Business Advisory Council of the United Kingdom. Mr Li has received Honorary Doctorates from Peking 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 42, 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 Continental Realty Limited ("CRL"), Honourable Holdings Limited ("HHL"), Winbo Power Limited ("WPL"), Polycourt Limited ("PL") and Well Karin Limited ("WKL"). CRL is a substantial shareholder of the Company within the meaning of Part XV of the SFO and HHL, WPL, PL and WKL are companies which have interests in the 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 of the People's Republic of China. He is also a member of the Executive Committee of the Commission on Strategic Development 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

FOK Kin-ning, Canning

aged 55, has been an Executive Director since 1984 and Group Managing Director since 1993. He is the Chairman of Hutchison Harbour Ring Limited ("Hutchison Harbour Ring"), Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia"), Hutchison Telecommunications International Limited ("Hutchison Telecommunications International"), Hongkong Electric 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 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 53, 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 Hongkong Electric and a Director of Hutchison Telecommunications Australia, Partner Communications and TOM Group Limited ("TOM Group"). She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

aged 55, 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 and Hongkong Electric and a Director of Cheung Kong, Hutchison Telecommunications Australia, Hutchison Telecommunications International, Husky Energy and Partner Communications. In addition, he is a Director of Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, all being substantial shareholders of the Company within the meaning of Part XV of 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 53, has been an Executive Director since 2000. He is also the Deputy Chairman of Hutchison Harbour Ring and a Director of Hutchison Telecommunications Australia. 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.

KAM Hing Lam

aged 60, 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 and a Non-executive Director of Spark Infrastructure Group. Mr Kam is a member of the Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. 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 Sir Michael David KADOORIE

GBS, Officier de la Légion d'Honneur, Commandeur de l'Ordre de Léopold II, Commandeur de l'Ordre des Arts et des Lettres, aged 65, 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 65, has been an Independent Non-executive Director since 2004. He is also 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 Husky Energy, Hongkong Electric and Shoppers Drug Mart Corporation. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

George Colin MAGNUS

OBE, BBS, aged 71, has been a Director since 1980. He served as Deputy Chairman of the Company from 1984 to 1993, and is currently a Non-executive Director. He is also a Director of Cheung Kong, Cheung Kong Infrastructure and Hongkong Electric. He holds a Master's degree in Economics.

William Elkin MOCATTA

aged 54, has been an Alternate Director to The Hon Sir 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 67, has been a Director since 1984 and is currently an Independent Non-executive Director. He is the Chairman of General Enterprise Management Services (International) 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 57, has been a Director since 2000 and is currently an Independent Non-executive Director. He is the Vice Chairman and Chief Executive of Hang Seng Bank Limited and a Director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited, Esprit Holdings Limited and 2009 East Asian Games (Hong Kong) Limited. He was also the Chairman of the Hong Kong Association of Banks in 2000 and 2003.

William SHURNIAK

aged 75, 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 a Director and Chairman of Northern Gas Networks Limited 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.

WONG Chung Hin

CBE, JP, aged 73, has been a Director since 1984 and is currently an Independent Non-executive Director. He has been appointed as the Alternate Director to Mr Simon Murray, an Independent Non-executive Director, in 2005. 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.

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2006.

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 186 to 191.

Group Profit

The consolidated profit and loss account is set out on page 115 and shows the Group profit for the year ended 31 December 2006.

Dividends

An interim dividend of HK$0.51 per share was paid to shareholders on 6 October 2006 and the Directors recommend the declaration of a final dividend at the rate of HK$1.22 per share payable on 18 May 2007 to all persons registered as holders of shares on 17 May 2007. The Register of Members will be closed from 10 May 2007 to 17 May 2007, both days inclusive.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 46 to the accounts on pages 184 and 185, and note 34 to the accounts on page 174 respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$82,000,000 (2005 – approximately HK$70,000,000).

Fixed Assets

Particulars of the movements of fixed assets are set out in note 13 to the accounts.

Share Capital

Details of the share capital of the Company are set out in note 33 to the accounts.

Directors

The board of Directors of the Company (the "Board") as at 31 December 2006 comprised Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor, Mr Fok Kin-ning, Canning, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt, Mr Lai Kai Ming, Dominic, Mr Kam Hing Lam, The Hon Sir Michael David Kadoorie, Mr Holger Kluge, Mr George Colin Magnus, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr Simon Murray, Mr Or Ching Fai, Raymond, Mr William Shurniak and Mr Wong Chung Hin (also Alternate Director to Mr Simon Murray).

Mr Li Ka-shing, Mr Frank John Sixt, The Hon Sir Michael David Kadoorie and Mr George Colin Magnus will retire by rotation at the forthcoming annual general meeting under the provisions of Article 85 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

The Company received confirmation from the Independent Non-executive Directors 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 as independent.

The Directors' biographical details are set out on pages 71 to 74.

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 6 February 2006, Golden Castle Management Limited ("GCML"), a company indirectly owned equally as to 50% by each of the Company and Cheung Kong (Holdings) Limited ("Cheung Kong"), entered into a contract (the "First Amended and Restated JV Contract") with 廣州方興房地產建設有限公司 ("GZ Fang Xing"), as a result of further discussions regarding the expansion and enhancement of the scale and quality of development of the GZ Lands (as defined below). The First Amended and Restated JV Contract was entered into for the purposes of amending and restating the provisions of the joint venture contract dated 21 December 2005 (the "Yu Hu JV Contract") entered into between GCML and GZ Fang Xing in respect of the establishment of a sino-foreign co-operative joint venture named as 廣州御湖房地產發展有限公司 ("GZ Project Co") to own and develop four pieces of land (collectively the "GZ Lands") comprising of a total of approximately 225,548 square metres and located at Zhongxin Town (Zhenlong), the People's Republic of China (the "PRC") into residential properties. The initial registered capital and total investment of GZ Project Co were both RMB806,000,000. Under the Yu Hu JV Contract, GCML would make a cash contribution of RMB241,200,000 to the registered capital of GZ Project Co, and GZ Fang Xing would contribute the balance in the sum of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to GZ Project Co. The First Amended and Restated JV Contact was entered into for the purpose of increasing both the registered capital and the total investment of GZ Project Co to RMB1,040,640,000 and RMB1,544,320,000 respectively and providing for the payment of special distributions in and up to the pre-agreed amounts to GZ Fang Xing and GCML in alternative rounds with GZ Fang Xing being entitled to the first one and thereafter, sharing of available profits and assets of the GZ Project Co between GCML and GZ Fang Xing on an 80:20 basis (subject to adjustment in the case of non-compliance by any party of certain obligations under the First Amended and Restated JV Contract including, without limitation, its obligation to provide shareholders' loans to the GZ Project Co). Under the First Amended and Restated JV Contract, GCML would make an aggregate cash contribution of RMB475,840,000 to the registered capital of the GZ Project Co, representing approximately 45.7% of the registered capital of the GZ Project Co, and GZ Fang Xing would make an aggregate contribution of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to the GZ Project Co, representing approximately 54.3% of the registered capital of the GZ Project Co. Any shareholders' loans advanced by GCML and GZ Fang Xing to GZ Project Co would be made, as between GCML and GZ Fang Xing, on the basis of the then sharing ratio applicable to GCML and GZ Fang Xing. Any contribution to the registered capital of, and any shareholders' loans to, the GZ Project Co through GCML is expected to be made equally by the indirect subsidiaries of the Company and Cheung Kong in proportion to their respective effective equity interests in GCML. Cheung Kong is a substantial shareholder of the Company and hence is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between Cheung Kong and the Company in respect of the establishment of GCML and the GZ Project Co as contemplated under the First Amended and Restated JV Contract constituted connected transactions for the Company under the Listing Rules.

On 17 March 2006, (i) Kingdom Development S.A. ("Kingdom"), an indirect wholly owned subsidiary of the Company, (ii) Proficient Investment Limited ("Proficient Investment"), an indirect wholly owned subsidiary of 北京首都旅遊集團有限責任公司 ("BTG"), and (iii) Beijing Tourism Development Company Limited ("BTDC", a company owned as to 45.8% by Kingdom, 44.07% by Proficient Investment and 10.13% by New Civic Company Ltd. ("New Civic"), which is an indirect wholly owned subsidiary of BTG, prior to the Repurchase (as defined below)) entered into a repurchase agreement (the "Repurchase Agreement") relating to, and on the same day completed, the repurchase by BTDC of 2,750 "B" shares of BTDC held by Kingdom and 2,642 "B" shares of BTDC held by Proficient Investment (the "Repurchase") at an aggregate consideration of HK$703,738,003 and payable as to 51% (i.e. HK$358,906,382) and 49% (i.e. HK$344,831,621) to Kingdom and Proficient Investment respectively, being the value attributable to all "B" shares of BTDC based on the book value of BTDC's investment in Doncaster International Limited ("Doncaster"), a wholly owned subsidiary of BTDC and the principal asset of which is its 82% equity interest in the Great Wall Hotel Joint Venture of Beijing, as at 28 February 2006. The consideration for the Repurchase payable by BTDC was satisfied by transferring BTDC's entire shareholding in Doncaster to Kingdom and Proficient Investment in proportion to their 51:49 holding of "B" shares in BTDC. Each of Kingdom and Proficient Investment has directed BTDC to transfer their proportional entitlements to the interests in Doncaster to Cavendish Hotels (Holdings) Limited ("Cavendish"), a company then owned as to 51% by Kingdom and 49% by Proficient Investment. Upon completion of the Repurchase, BTDC became wholly owned by New Civic. On the same day, BTG as vendor and Cavendish as purchaser entered into a conditional agreement (the "BTG Agreement") for the sale and purchase of 160,000,000 non-tradable legal person shares, representing 69.14% of the issued share capital of 北京首都旅遊股份有限公司 ("BCT"), a company incorporated under the laws of the PRC and whose "A" shares are listed on the Shanghai Stock Exchange, (the "BCT Sale Shares") for an aggregate cash consideration of RMB657,600,000 (the "Acquisition"). It is contemplated that BCT will implement a share reform proposal (the "Share Reform Proposal") for converting the BCT Sale Shares into tradable A Shares subject to and in accordance with the terms of the Share Reform Proposal and PRC laws and regulations, which will result in a reduction of the BCT Sale Shares to be acquired or held by Cavendish to approximately 60% of the current issued share capital of BCT. BTDC and BTG are both connected persons of the Company by virtue of being an associate of and the holding company respectively of Proficient Investment, a substantial shareholder of Cavendish which in turn was a then non wholly owned subsidiary of the Company. Each of the Repurchase and the Acquisition constituted a connected transaction for the Company under the Listing Rules.

On 29 June 2006, Hutchison Whampoa Properties (Qingdao) Limited ("HWPQ"), a company wholly owned by Braintech Limited which in turn is indirectly owned as to 45% by each of the Company and Cheung Kong and as to 10% by an independent party, entered into an agreement (the "Bid Confirmation and Agreement") with Qingdao Northern District Government, Qingdao Land Resources and Housing Administration Bureau and 青島小港灣旅遊開發建設有限公司 ("XGW Co") for the purpose of acquiring and redevelopment of a piece of land with an area of approximately 386,207 square metres and located at Xiao Gang Wan, Qingdao, the PRC and the structures erected thereon ("Xiao Gang Wan Project"). It is intended that portions of land in Xiao Gang Wan Project with an area of approximately 311,780 square metres, representing approximately 81% of the total area of Xiao Gang Wan Project ("XGW Land") will be redeveloped by HWPQ into residential and commercial properties, and the remaining portion of the Xiao Gang Wan Project will be developed by XGW Co. Each of HWPQ and XGW Co will be responsible for the construction costs in respect of their respective portions of the Xiao Gang Wan Project. Pursuant to the Bid Confirmation and Agreement, HWPQ agreed, inter alia, to acquire XGW Land and the land use right thereof for a total consideration of RMB2,250.12 million, payable by instalments. To fund the payment of land cost, construction costs and other project costs for the redevelopment of XGW Land, the total investment and registered capital of HWPQ were proposed to be increased from US$17.5 million and US$7 million respectively to US$335.8 million and US$118 million respectively in stages. The contribution to the registered capital of, and any shareholders' loans to, HWPQ would be made by Cheung Kong and the Company (or their respective subsidiaries) in proportion to their respective effective equity interests in HWPQ. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The financial assistance provided or to be provided by way of contribution to increase the registered capital of, and any shareholders' loans, to HWPQ, being an associate of Cheung Kong, for the purpose of effecting the acquisition and redevelopment of the XGW Land constituted or would constitute connected transactions for the Company under the Listing Rules.

On 14 October 2006, Extreme Selection Investments Limited ("ESIL"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into an acquisition agreement and a land use rights transfer contract (together the "Agreements") with 上海富都世界發展有限公司 for the acquisition of the land use rights in respect of the piece of land known as 上海市浦東新區陸家嘴金融貿易區X3-2地塊 situated at Lujiazui, Pudong New District, Shanghai, the PRC with the gross floor area (on or above ground level) of approximately 80,000 square meters ("Pudong Land X3-2") for a consideration of RMB832 million, which is subject to adjustment based on the gross floor area approved by the relevant government authorities. A project company, Shanghai Cheung Tai Property Development Limited ("SH Project Co"), has been established by ESIL for the purpose of acquiring the land use rights in respect of, and developing, Pudong Land X3-2. It is intended that Pudong Land X3-2 will be developed into properties in compliance with the usage as stated in its land use rights certificate and the relevant PRC laws and regulations. To fund the payment of acquisition costs of the land use rights and the construction and other project costs for the development of Pudong Land X3-2, the total investment of SH Project Co is RMB1,740 million, of which RMB870 million represents the registered capital of SH Project Co. Any contribution to the registered capital of, and any shareholders' loans to, SH Project Co have been and are expected to be made by the Company and Cheung Kong (or their respective subsidiaries) in proportion to their respective effective equity interests in ESIL. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between the Company and Cheung Kong comprising the establishment of ESIL and SH Project Co constituted connected transactions for the Company under the Listing Rules.

Pursuant to a land use right transfer contract and a land development and possession contract both dated 9 January 2007 and entered into between Elegant Wealth Investment Limited ("Elegant Wealth"), a non wholly owned subsidiary of the Company owned as to 51% by the Company and as to 49% by Cheung Kong, 上海長潤房地產開發有限公司 ("Changrun") and 上海江和房地產開發有限公司 ("Jianghe") with the Bureau of Real Estate and Land Management, Putuo District, Shanghai and Land Development Centre, Putuo District, Shanghai respectively, Elegant Wealth, Changrun and Jianghe agreed to acquire the land use right in respect of the piece of land with an area of approximately 177,261.8 square metres located at Zhen Ru Fu Zhong Xin (A3-A6), Putuo District, Shanghai, the PRC (the "Putuo Land") for an aggregate consideration of RMB2,200 million payable by instalements. Each of Changrun and Jianghe is held by the Company and Cheung Kong indirectly (on an equal basis) through Hutchison Whampoa Properties (Shenzhen Baoan) Limited ("SZ Baoan"), a company indirectly owned by Cheung Kong and the Company (on an equal basis) as to 99% and directly owned by an independent party ("Independent Party") as to 1%. To fund the payment of land cost, construction costs and other project costs for the acquisition and development of the Putuo Land into commercial and residential properties, the total investment (including registered capital) of the new joint venture to be established and held by Elegant Wealth, Changrun and Jianghe as to 60%, 25% and 15% respectively for the said acquisition and development ("Putuo JVCo") is proposed to be RMB3,600 million. Any funding contribution, including the registered capital of, and any shareholders' loans to, the Putuo JVCo is expected to be made by the Company, Cheung Kong and/or their respective subsidiaries through Elegant Wealth, and by SZ Baoan and the Independent Party through Changrun and Jianghe in proportion to their respective effective equity interests in the Putuo JVCo. Cheung Kong is a connected person of the Company within the meaning of Listing Rules. Each of Changrun and Jianghe is an associate of Cheung Kong and is also a connected person of the Company. The funding contributions, including the registered capital of, and any shareholders' loans to, the Putuo JVCo by the Company, Cheung Kong and/or their respective subsidiaries through Elegant Wealth, and by SZ Baoan through Changrun and Jianghe constituted connected transactions for the Company under the Listing Rules. The joint venture arrangements between Changrun, Jianghe and Elegant Wealth in the establishment of the Putuo JVCo also constituted connected transactions for the Company under the Listing Rules.

On 16 February 2007, the Company provided fundings to Choicewide Group Limited ("Choicewide"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, in relation to the exercise by a joint venture company incorporated in Singapore ("Singapore JV"), in which each of Choicewide, Bayfront Development Pte Ltd and Sageland Pte Ltd held one-third of the equity interests therein, of an option for acquiring the remainder of land parcel A of certain parcels of land at Marina Boulevard/Central Boulevard, Singapore (the "Marina Bay Land") granted under a joint tender in July 2005 at a total consideration of S$907.7 million. The option consideration has been included in the total financial commitment of Choicewide as disclosed in the joint announcement of the Company and Cheung Kong dated 15 July 2005 and the 2005 Annual Report of the Company. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. Any contribution to the consideration for the acquisition of the Marina Bay Land and any payment in proportion to their 50/50 interest in Choicewide for the development of the Marina Bay Land has been and is expected to be made equally by the Company and its subsidiaries and Cheung Kong and its subsidiaries in proportion to their respective equity interests in Choicewide and any such funding contribution provided by the Company 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 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 of Hong Kong Limited (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 executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company 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 as 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 and 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)] 48,577,000 [(3)]	18,613,202 [(2)] -	2,208,888,975	51.8109%
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 [(4)]	18,613,202 [(2)] -	2,161,398,745	50.6969%
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,310,875 [(5)]	-	4,310,875	0.1011%
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%
Kam Hing Lam	Beneficial owner	Personal interest	60,000	-	60,000	0.0014%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	Other interest	15,984,095 [(6)]	-	15,984,095	0.3749%
Holger Kluge	Beneficial owner	Personal interest	40,000	-	40,000	0.0009%
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 [(7)] 40,000 9,900	- - -	1,000,000	0.0235%
Simon Murray	Beneficial owner	Personal interest	142,000	-	142,000	0.0033%
William Shurniak	Beneficial owner	Personal interest	165,000	-	165,000	0.0039%

Short positions in the underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of underlying shares held	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	Other interest	18,613,202 (2)	0.4366%
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	18,613,202 (2)	0.4366%

Notes:

(1) The two references to 2,141,698,773 shares of the Company relate to the same block of shares 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 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) The references to 18,613,202 underlying shares of the Company relate to the same block of underlying shares comprising:

(a) 10,463,201 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong; and

(b) 8,150,001 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2008 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.

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

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

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

(6) Such shares were ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.

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

(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 2006, 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 84.82% 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;

(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; and

(c) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;

(ii) 2,419,115,596 ordinary shares, representing approximately 50.76% of the then issued share capital, in Hutchison Telecommunications International Limited ("Hutchison Telecommunications International") of which 52,092,587 ordinary shares and 2,366,869,729 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. In addition, according to the disclosures made to the Company pursuant to and solely for the purposes of the SFO, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor appeared to be taken as being interested in the 917,759,172 ordinary shares, representing approximately 19.26% of the then issued share capital, in Hutchison Telecommunications International beneficially owned by Orascom Telecom Eurasia Limited ("Orascom"), a substantial shareholder of Hutchison Telecommunications International and controlled exclusively by Orascom and Orascom Telecom Holding S.A.E. ("OTH"), another substantial shareholder of Hutchison Telecommunications International as a result of the application of Sections 317 and 318 of the SFO by virtue of the Company, one of the abovementioned wholly owned subsidiaries of the Company, OTH and Orascom being parties to a shareholders' agreement dated 21 December 2005 that imposes obligations or restrictions on any party with respect to their use, retention or disposal of their ordinary shares of Hutchison Telecommunications International even though no ordinary shares of Hutchison Telecommunications International have been acquired in pursuance of that agreement;

(iii) (a) 829,599,612 shares, representing approximately 38.87% 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; and

(b) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;

(iv) 1,429,024,545 shares, representing approximately 36.71% 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;

(v) 146,809,478 common shares, representing approximately 34.60% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") held by a wholly owned subsidiary of the Company; and

(vi) all interests in shares, underlying shares and/or debentures in all associated corporations of the Company.

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 152,801,701 common shares, representing approximately 36.02% of the then issued share capital, 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 2006, corporate interests in (i) 4,600 class C common shares, representing 46% of the then issued share capital, in Husky Oil Holdings Limited; and (ii) 27,513,355 ordinary shares, representing approximately 0.58% of the then issued share capital, in Hutchison Telecommunications International, 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 2006, 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) a nominal amount of US$21,000,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI(03/13)"); (b) a nominal amount of US$12,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited; (c) a nominal amount of US$8,000,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI(03/33)"); (d) a nominal amount of US$15,000,000 in the 7.45% Notes due 2033 issued by HWI(03/33); and (e) 2,519,250 ordinary shares, representing approximately 0.05% of the then issued share capital, in Hutchison Telecommunications International, 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 2006, the following interests:

(i) corporate interests in (a) a nominal amount of €4,600,000 in the 4.125% Notes due 2015 issued by Hutchison Whampoa Finance (05) Limited; (b) a nominal amount of US$2,500,000 in the 6.50% Notes due 2013 issued by HWI(03/13); (c) a nominal amount of US$2,000,000 in the 7.45% Notes due 2033 issued by HWI(03/33); (d) a nominal amount of US$2,500,000 in the 5.45% Notes due 2010 issued by HWI(03/33); and (e) a nominal amount of US$2,500,000 in the 6.25% Notes due 2014 issued by HWI(03/33);

(ii) 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");

(iii) (a) 5,100,000 ordinary shares, representing approximately 0.75% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia") comprising personal and corporate interests in 4,100,000 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;

(iv) corporate interests in 1,202,380 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications International;

(v) corporate interests in 300,000 common shares, representing approximately 0.07% of the then issued share capital, in Husky Energy; and

(vi) corporate interests in 225,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.15% of the then issued share capital, in Partner Communications Company Ltd. ("Partner Communications").

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 controlled by Mr Fok and his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2006, personal interests in 250,000 ordinary shares, representing approximately 0.005% 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 2006, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.15% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 17,000 American Depositary Shares (each representing 15 ordinary shares), representing approximately 0.005% of the then issued share capital, in Hutchison Telecommunications International.

Mr Kam Hing Lam in his capacity as a beneficial owner had, as at 31 December 2006, 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 2006, personal interests in (i) 200,000 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 10,000 common shares and 1,187 unlisted and physically settled Deferred Share Units (each representing 1 common share), in aggregate representing approximately 0.003% of the then issued share capital, in Husky Energy.

Mr George Colin Magnus had, as at 31 December 2006, the following interests:

(i) 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; and

(ii) personal interests in 25,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.02% of the then issued share capital, in Partner Communications held in his capacity as a beneficial owner.

Mr Simon Murray in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in 5,000 common shares, representing approximately 0.001% of the then issued share capital, in Husky Energy.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in 1,286 common shares, representing approximately 0.0003% of the then issued share capital, in Husky Energy.

Short positions in the underlying shares of the associated corporations of the Company

As at 31 December 2006, 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 as described in Note (1) above:

(i) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong; and

(ii) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.

Save as disclosed above, as at 31 December 2006, none of the Directors or chief executive 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 corporations (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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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 Discloseable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 31 December 2006, other than the interests and short positions of the Directors or chief executive 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, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	2,130,202,773(1)	18,613,202(2)	2,148,815,975	50.40%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	2,130,202,773(1)	18,613,202(2)	2,148,815,975	50.40%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	2,130,202,773(1)	18,613,202(2)	2,148,815,975	50.40%
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interest of controlled corporations	2,130,202,773(1)	18,613,202(2)	2,148,815,975	50.40%
Continental Realty Limited	Beneficial owner	465,265,969(3)	-	465,265,969	10.91%

Short positions in the underlying shares of the Company

Name	Capacity	Number of underlying shares held	Approximate % of shareholding
TDT1	Trustee and beneficiary of a trust	18,613,202(2)	0.43%
TDT2	Trustee and beneficiary of a trust	18,613,202(2)	0.43%
TUT1	Trustee	18,613,202(2)	0.43%
Cheung Kong	Interest of controlled corporations	18,613,202(2)	0.43%

(II) Interests and short positions of other persons 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[(3)]	7.57%
Winbo Power Limited	Beneficial owner	236,260,200[(3)]	5.54%
Polycourt Limited	Beneficial owner	233,065,641[(3)]	5.47%
Well Karin Limited	Beneficial owner	226,969,600[(3)]	5.32%

Notes:

(1) The four references to 2,130,202,773 shares of the Company relate to the same block of shares of 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) of the section titled "Directors' Interests and Short Positions in the Shares, Underlying Shares and Debentures".

(2) The references to 18,613,202 underlying shares of the Company relate to the same block of interest and short position in the underlying shares of the Company which were derived from the HK Dollar equity-linked notes due 2007 and the HK Dollar equity-linked notes due 2008 issued under HK$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong. By virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 18,613,202 underlying shares of the Company held by Cheung Kong as described in Note (1)(a) of the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(3) 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.

Save as disclosed above, as at 31 December 2006, there was no other person (other than the Directors and chief executive of the Company) who had 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, or as otherwise notified to the Company and the Stock Exchange.

Share Option Schemes

The Company has no share option scheme but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarised as follows:

(I) 3 ITALIA S.P.A. ("3 Italia")

The purpose of the employee share option plan of **3** Italia (the "**3** Italia Plan") is to provide **3** Italia with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any employee of **3** Italia and any other company of which **3** Italia has control from time to time (the "**3** Italia Participating Company") or any director of any **3** Italia Participating Company who is required to devote to his duties a substantial part of his working hours (the "**3** Italia Eligible Employees").

The remuneration committee of the board of directors of **3** Italia (the "**3** Italia Remuneration Committee") may grant options under the **3** Italia Plan to acquire the ordinary shares in the capital of **3** Italia (the "**3** Italia Shares") to individuals who are **3** Italia Eligible Employees, subject always to any limits and restrictions specified in the rules of the **3** Italia Plan as amended from time to time.

The form, manner and timing of grant of the options, the maximum number of **3** Italia Shares in respect of each option, the price at which each **3** Italia Share subject to an option may be acquired on the exercise of that option being subject to adjustment in case of reorganisation of capital structure (the "Subscription Price"), any condition on exercise of each option, and all other terms relating or attaching to such grant shall be at the absolute discretion of the **3** Italia Remuneration Committee subject to compliance with the Listing Rules.

A **3** Italia Eligible Employee is not required to pay for the grant of an option under the **3** Italia Plan.

The Subscription Price will be, (i) in the case of the one time initial grants of options recognising the long service and ongoing contribution of those **3** Italia Eligible Employees who were **3** Italia Eligible Employees prior to 31 July 2001 and who at the date on which an option is granted under the **3** Italia Plan (the "**3** Italia Date of Grant") remain so employed and who the **3** Italia Remuneration Committee determines should receive such an initial grant, the price as determined by the **3** Italia Remuneration Committee, and (ii) in any other case the market value of the **3** Italia Share at the **3** Italia Date of Grant as determined by the **3** Italia Remuneration Committee but in any event not being less than the nominal value (if any) of such **3** Italia Share at the **3** Italia Date of Grant.

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 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 option holder is less than the issue price of the **3** Italia Shares on listing, the Subscription Price shall be adjusted to the issue price of the **3** Italia Shares on listing and no option (to which the rules of the **3** Italia Plan applies) shall be exercised at a Subscription Price below such issue price.

Subject always to the paragraph below, no option shall be granted under the **3** Italia Plan which would, at the **3** Italia Date of Grant, cause the number of **3** Italia Shares which shall have been or may be issued both in pursuance of options granted under the **3** Italia Plan and under any other share option scheme (the "**3** Italia Option Plan Shares") to exceed 5% of the number of the **3** Italia Shares in the capital of **3** Italia in issue as at 20 May 2004, being the date of passing of the relevant resolution approving the **3** Italia Plan. This limit may only be exceeded with approval of the shareholders of both **3** Italia and the Company in general meetings in accordance with the requirements of the Listing Rules. As at the date of this report, the total number of **3** Italia Shares available for issue under the **3** Italia Plan is 32,231,897, which represented approximately 2.47% of the total number of **3** Italia Shares in issue as at that date.

No option shall be granted under the **3** Italia Plan which would, at the **3** Italia Date of Grant, cause the number of **3** Italia Option Plan Shares which shall have been or may be issued both in pursuance of the options granted under the **3** Italia Plan and under any other share option scheme to exceed 130,185,000 without the prior written consent of the board of Directors of the Company.

The limit on the number of **3** Italia Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the **3** Italia Plan and under any other share option scheme to **3** Italia Eligible Employees must not exceed 30% of the number of **3** Italia Shares in issue from time to time.

The **3** Italia Remuneration Committee shall not grant any options (the "**3** Italia Relevant Options") to any **3** Italia Eligible Employee which, if exercised, would result in such **3** Italia Eligible Employee becoming entitled to subscribe for such number of **3** Italia Shares as, when aggregated with the total number of **3** Italia Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the **3** Italia Date of Grant of the **3** Italia Relevant Options, exceed 1% of the number of **3** Italia Shares in issue at such date. Notwithstanding this, the **3** Italia Remuneration Committee may grant options to any **3** Italia Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of **3** Italia and the Company in general meetings (with such **3** Italia 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.

An option may be exercised in whole or in part by an 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 relevant option. Options must be exercised with the period of eight years from the **3** Italia Date of Grant.

The **3** Italia Remuneration Committee may at any time, commencing on 20 May 2004 (being the date of adoption of the **3** Italia Plan) and until the eighth anniversary thereof, grant options under the **3** Italia Plan to individuals who are **3** Italia Eligible Employees.

The following share options were outstanding under the **3** Italia Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options(1)	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options €	Price of 3 Italia Share At grant date of share options(3) €	Price of 3 Italia Share At exercise date of share options €
Employees in aggregate	20.5.2004	18,526,032	-	-	(682,561)	17,843,471	From Listing(2) to 16.7.2009	5.17	5.00	N/A
	20.11.2004	2,816,683	-	-	(131,146)	2,685,537	From Listing to 16.7.2009	5.17	5.00	N/A
	2.2.2005	335,320	-	-	-	335,320	From Listing to 16.7.2009	5.17	5.00	N/A
	6.9.2005	4,311,469	-	-	(149,031)	4,162,438	From Listing to 16.7.2009	5.17	5.00	N/A
Total:		25,989,504	-	-	(962,738)	25,026,766				

Notes:

(1) *The share options shall vest as to one-third on the date of (and immediate 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.*

(2) *Listing refers to an application being made to the competent listing authority for admission to trading on a recognised stock exchange of the ordinary share capital of **3** Italia.*

(3) *Nominal value of shares on date of grant set out for reference only.*

As at the date of this report, **3** Italia had 24,308,436 share options outstanding under the **3** Italia Plan, which represented approximately 1.87% of the **3** Italia Shares in issue as at that date.

No option had been granted under the **3** Italia Plan during the year ended 31 December 2006.

(II) HUTCHISON 3G UK HOLDINGS LIMITED ("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 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 remuneration committee of the board of Hutchison 3G UK Holdings (the "H3GUKH Remuneration Committee") may grant options under the H3GUKH Plan to acquire the ordinary shares in the capital of Hutchison 3G UK Holdings (the "H3GUKH Shares") 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.

An H3GUKH Eligible Employee is not required to pay for the grant of an option under the H3GUKH Plan.

The subscription price for H3GUKH Shares 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 H3GUKH Eligible Employees prior to 31 March 2001 and who at the date on which an option is granted under the H3GUKH Plan (the "H3GUKH Grant Date") remain so employed and who the H3GUKH Remuneration Committee determines should receive such an initial grant, 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 H3GUKH Shares at the H3GUKH Grant Date as determined by the H3GUKH Remuneration Committee but in any event not being less than the nominal value (if any) 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 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.

Subject always to the paragraph below, 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 in pursuance of options granted under the H3GUKH Plan and under any share option scheme (the "H3GUKH Option Plan Shares") to exceed 5% of the number of H3GUKH Shares in the capital of Hutchison 3G UK Holdings in issue as at 20 May 2004, being the date of passing of the relevant resolution approving 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. As at the date of this report, the total number of H3GUKH Shares available for issue under the H3GUKH Plan is 222,274,337, which represented 5% of the total number of H3GUKH Shares in issue as at that date.

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 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.

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 share option scheme to H3GUKH Eligible Employees must not exceed 30% of the number of 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 (including exercised, cancelled and outstanding options) in the 12-month period up to and including the H3GUKH Grant Date of the H3GUKH Relevant Options, exceed 1% of the number of 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.

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 relevant option. Options must be exercised within the period of ten years from the H3GUKH Grant Date.

The H3GUKH Remuneration Committee may at any time, commencing on 20 May 2004 (being the date of adoption of the H3GUKH Plan) and until the tenth anniversary thereof, grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees.

The following share options were outstanding under the H3GUKH Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options[(1)]	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options	Price of H3GUKH Share At grant date of share options[(3)]	Price of H3GUKH Share At exercise date of share options
								£	£	£
Employees in aggregate	20.5.2004	18,342,000	-	-	-	18,342,000	From Listing[(2)] to 18.4.2011	1.00	1.00	N/A
	20.5.2004	52,065,750	-	-	(8,441,500)	43,624,250	From Listing to 18.4.2011	1.35	1.00	N/A
	20.5.2004	4,605,250	-	-	(883,250)	3,722,000	From Listing to 20.8.2011	1.35	1.00	N/A
	20.5.2004	2,375,000	-	-	(830,000)	1,545,000	From Listing to 18.12.2011	1.35	1.00	N/A
	20.5.2004	1,497,750	-	-	(560,000)	937,750	From Listing to 16.5.2012	1.35	1.00	N/A
	20.5.2004	2,177,750	-	-	(195,000)	1,982,750	From Listing to 29.8.2012	1.35	1.00	N/A
	20.5.2004	417,500	-	-	(45,000)	372,500	From Listing to 28.10.2012	1.35	1.00	N/A
	20.5.2004	875,000	-	-	(245,000)	630,000	From Listing to 11.5.2013	1.35	1.00	N/A
	20.5.2004	7,612,500	-	-	(3,075,000)	4,537,500	From Listing to 14.5.2014	1.35	1.00	N/A
	27.1.2005	4,447,750	-	-	(1,580,000)	2,867,750	From Listing to 26.1.2015	1.35	1.00	N/A
	11.7.2005	1,691,000	-	-	(572,750)	1,118,250	From Listing to 10.7.2015	1.35	1.00	N/A
Total:		96,107,250	-	-	(16,427,500)	79,679,750				

Notes:

(1) The share options granted to certain founders of Hutchison 3G UK Holdings shall 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. The share options granted to non-founders of Hutchison 3G UK Holdings shall 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.

(2) Listing refers to an application being made to the Financial Services Authority for admission to the official list of the ordinary share capital of Hutchison 3G UK Holdings or to have the shares of Hutchison 3G UK Holdings admitted to trading on the Alternative Investment Market operated by London Stock Exchange plc or in the United Kingdom or elsewhere.

(3) Nominal value of shares on date of grant set out for reference only.

As at the date of this report, Hutchison 3G UK Holdings had 65,216,750 share options outstanding under the H3GUKH Plan, which represented approximately 1.47% of the H3GUKH Shares in issue at as that date.

No option had been granted under the H3GUKH Plan during the year ended 31 December 2006.

(III) HUTCHISON CHINA MEDITECH LIMITED ("Hutchison China MediTech")

The purpose of the share option scheme of Hutchison China MediTech (the "HCML Plan") is to provide Hutchison China MediTech with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to HCML Eligible Persons. An "HCML Eligible Person" shall be any person who is (or will be on and following the date of offer of the relevant option) a director (other than an independent non-executive director) or an employee of Hutchison China MediTech, its listed parent(s) (i.e. currently the Company) and any of their subsidiaries, and any holding company, subsidiaries or affiliates of Hutchison China MediTech or other companies which the board of directors of HCML (the "HCML Board") determines will be subject to the HCML Plan, who is notified by the HCML Board that he or she is an eligible person. Actual participation is at the discretion of the HCML Board.

The HCML Board may offer the grant to an HCML Eligible Person, an option to subscribe for such number of ordinary shares in the share capital of Hutchison China MediTech (the "HCML Shares").

The maximum number of HCML Shares to be allotted and issued subject to the HCML Plan is as follows:-

(a) The total number of HCML Shares issued or issuable pursuant to options granted under all employees' share schemes of Hutchison China MediTech must not in aggregate exceed 5% of the HCML Shares in issue on the date on which the HCML Shares are listed to trading on a recognised stock exchange (including the Alternative Investment Market operated by London Stock Exchange plc ("AIM")) (the "HCML Listing").

(b) However, the HCML Board may refresh and recalculate the limit by reference to the issued share capital of Hutchison China MediTech then prevailing with the approval of the shareholders of its listed parent (i.e. currently the Company) if required under the Listing Rules in general meeting, provided that the total number of HCML Shares issued and issuable pursuant to the exercise of options under all employees' share schemes of Hutchison China MediTech may not exceed 10% of the issued ordinary share capital on the date of the approval of the refreshed limit. Options previously granted under the HCML Plan and any other employee share schemes of Hutchison China MediTech (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of HCML Shares available for issue under the HCML Plan is 2,560,606, which represent 5% of the total number of HCML Shares in issue as at that date.

(c) Options may be granted to any HCML Eligible Person or HCML Eligible Persons specifically identified by the HCML Board in excess of the limit, including the refreshed limit, under paragraphs (a) and (b) above, with the approval of the shareholders of Hutchison China MediTech in general meeting and by the shareholders of the listed parent if required under the Listing Rules and subject to paragraphs (d) and (e) below and restrictions on grant to key individuals under the HCML Plan.

(d) (i) No HCML Eligible Person may be granted an option if as a result the total number of HCML Shares over which that HCML Eligible Person holds options granted in the previous 12 months, when added to the number of HCML Shares the subject of the proposed grant, would exceed 1% of the issued ordinary share capital of HCML on that date; and

(ii) Notwithstanding paragraph (d)(i) above, options may be granted to any HCML Eligible Person or HCML Eligible Persons which would cause the limit under paragraph (d)(i) above to be exceeded, but only with the approval of the shareholders of the listed parent in general meeting and subject to paragraph (e) below.

(e) Notwithstanding the above, under no circumstances may options be outstanding over more than 10% of the issued ordinary share capital of Hutchison China MediTech at any time.

Subject to and in accordance with the rules of the HCML Plan, an option may be exercised during a period which is notified at the offer date of the option, such period not to exceed the period of ten years from such offer date.

Option holders are not required to pay for the grant of any option.

The exercise price, subject to any adjustment according to the rules of the HCML Plan, for the options will be:

(a) in the case of the one time initial grants of options by Hutchison China MediTech under the HCML Plan to founders and non-founders prior to the HCML Listing, the price determined by the HCML Board and notified to the relevant option holder; and

(b) in respect of any other option, the Market Value (as defined below) of the HCML Shares as at the offer date.

"Market Value" on any particular day on or after the HCML Listing means: the higher of (i) the average of the closing prices of the HCML Shares on the five dealing days immediately preceding the offer date; (ii) the closing price of the HCML Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and (iii) the nominal value of the HCML Shares.

Subject to the termination provisions in the HCML Plan, the HCML Plan shall be valid and effective for a period of ten years commencing on 18 May 2006, being the date of adoption of the HCML Plan, after which period no further options will be granted but the provisions of the HCML Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the expiry of the ten-year period and which are at that time or become thereafter capable of exercise under the rules of the HCML Plan, or otherwise to the extent as may be required in accordance with the provisions of the HCML Plan.

The following share options were outstanding under the HCML Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options[1]	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options	Price of HCML Share At grant date of share options	Price of HCML Share At exercise date of share options
								£	£	£
Christian Hogg (a director of Hutchison China MediTech)	19.5.2006	N/A	768,182	-	-	768,182	19.5.2006 to 3.6.2015	1.09	2.505[2]	N/A
Other employees in aggregate	19.5.2006	N/A	1,229,089	-	(25,606)	1,203,483	19.5.2006 to 3.6.2015	1.09	2.505[2]	N/A
Employees in aggregate	11.9.2006	N/A	161,063	-	-	161,063	11.9.2006 to 18.5.2016	1.715	1.715[3]	N/A
Total:			2,158,334	-	(25,606)	2,132,728				

Notes:

(1) The share options granted to certain founders of Hutchison China MediTech are subject to amongst other relevant vesting criteria the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founders of Hutchison China MediTech are subject to amongst other relevant vesting criteria the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

(2) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the AIM on the date of admission of listing of the shares.

(3) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the AIM on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, Hutchison China MediTech had 2,132,728 share options outstanding under the HCML Plan, which represented approximately 4.16% of the HCML Shares in issue as at that date.

The fair value of options granted during the year, determined using the Binomial Model was as follows:

	Effective date of grant of share option	
	11 September 2006	**19 May 2006**
Value of each option	£0.553	£1.546
Total value of share option scheme	£88,993	£3,049,057
Significant inputs into the valuation model:		
Exercise price	£1.715	£1.09
Share price at effective grant date	£1.7325	£2.505
Expected volatility	38.8%	38.8%
Risk-free interest rate	4.766%	4.54%
Life of options	9.69 years	9.04 years
Expected dividend yield	0%	0%

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the comparable companies for the past one to two years as of the valuation date, that is, the grant date, since there is no or only a relatively short period of trading record of HCML Shares at the respective grant dates. Changes in such subjective input assumptions could affect the fair value estimate.

(IV) HUTCHISON HARBOUR RING

The purpose of the share option scheme of Hutchison Harbour Ring (the "HHR Plan") 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 falls 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 Plan.

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 HHR Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the HHR Plan 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 Plan and any other share option scheme of the HHR Group) to be granted under the HHR Plan 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 Plan (the "HHR General Scheme Limit"). As at the date of this report, the total number of HHR Shares available for issue under the HHR Plan is 402,300,015, which represented 6% of the total number of HHR Shares in issue as at that date.

(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 the 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 Plan 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 Plan 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 Plan 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 exercised in accordance with the terms of the HHR Plan at any time during a period to be determined on the date of offer for the 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 the 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 Plan for the holding of an option before it can be exercised.

The subscription price for HHR Shares under the HHR Plan 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 Plan will remain in force for a period of ten years commencing on the date on which the HHR Plan becomes unconditional.

The following share options were outstanding under the HHR Plan during the year ended 31 December 2006:

Name or category of participant	Date of grant of share options(1)	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options	Price of HHR Share At grant date of share options(2)	Price of HHR Share At exercise date of share options
								HK$	HK$	HK$
Employees in aggregate	3.6.2005	122,250,000	-	-	(50,518,000)	71,732,000	3.6.2006 to 16.9.2014	0.822	0.82	N/A

Notes:

(1) The share options are exercisable subject to the vesting schedule of which approximately one-third of the options will be vested on each of 3 June 2006 and 3 June 2007 and the balance of the options will be vested on 3 June 2008.

(2) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, Hutchison Harbour Ring had 65,932,000 share options outstanding under the HHR Plan, which represented approximately 0.98% of the HHR Shares in issue at as that date.

No option had been granted under the HHR Plan during the year ended 31 December 2006.

(V) HUTCHISON TELECOMMUNICATIONS AUSTRALIA

The purpose of the executive option plan of Hutchison Telecommunications Australia (the "HTAL Option Plan") is to provide selected employees of Hutchison Telecommunications Australia with the right to acquire ordinary shares in Hutchison Telecommunications Australia (the "HTAL Shares") at a predetermined price and subject to various conditions. The objectives of the HTAL Option Plan are to enable selected employees to benefit from growth in Hutchison Telecommunications Australia's share price, if any, without any downside risk, unless the options are exercised.

Options are granted to directors and executives of Hutchison Telecommunications Australia under the HTAL Option Plan which was approved by the board of directors of Hutchison Telecommunications Australia (the "HTAL Board") on 3 July 1999. The HTAL Option Plan is governed by the rules of the HTAL Option Plan. Full time, permanent part-time and casual employees are eligible to participate in the HTAL Option Plan and acquire the HTAL Shares.

The total number of securities available for issue under the HTAL Option Plan is 5% of the issued capital of Hutchison Telecommunications Australia (when combined with all other shares issued under employee participation schemes). However, under the current program, the HTAL Board has limited the total number of options to be issued to 20,000,000. This represents 2.95% of the issued share capital of Hutchison Telecommunications Australia as at the date of this report.

The maximum entitlement of each participant under the HTAL Option Plan is determined by the HTAL Board. Currently, the maximum period within which the shares must be taken up under any option already granted pursuant to the HTAL Option Plan is three years and nine months. Unless otherwise determined by the HTAL Board, there is no minimum period after the commencement of the exercise period under the HTAL Option Plan for the holding of an option before it can be exercised.

Options are granted under the HTAL Option Plan for no consideration. Options granted under the HTAL Option Plan carry no dividend or voting rights. When exercisable, each option is convertible into one HTAL Share.

The following share options were outstanding under the HTAL Option Plan during the year ended 31 December 2006:

Name or category of participant	Date of grant of share options(1)	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options(2)	Price of HTAL Share At grant date of share options(3)	Price of HTAL Share At exercise date of share options
								AUD	AUD	AUD
Employees in aggregate	18.8.2001	70,000	-	-	(70,000)	-	18.8.2001 to 17.8.2006	0.540	0.540	N/A
	23.7.2004	13,840,000	-	-	(3,390,000)	10,450,000	1.9.2005 to 31.12.2010	0.455	0.455	N/A
	30.7.2004	50,000	-	-	-	50,000	1.9.2005 to 31.12.2010	0.460	0.460	N/A
	20.8.2004	100,000	-	-	(100,000)	-	1.9.2005 to 31.12.2010	0.405	0.405	N/A
	10.12.2004	450,000	-	-	-	450,000	1.9.2005 to 31.12.2010	0.360	0.360	N/A
	23.12.2004	150,000	-	-	-	150,000	1.9.2005 to 31.12.2010	0.345	0.345	N/A
	3.6.2005	50,000	-	-	-	50,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	1.7.2005	200,000	-	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	5.8.2005	200,000	-	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	31.3.2006	N/A	4,815,000	-	(850,000)	3,965,000	1.9.2005 to 31.12.2010	0.255	0.255	N/A
	13.4.2006	N/A	150,000	-	-	150,000	1.9.2005 to 31.12.2010	0.250	0.250	N/A
Total:		15,110,000	4,965,000	-	(4,410,000)	15,665,000				

Notes:

(1) The share options are exercisable subject to amongst other relevant vesting criteria the vesting schedule of one-fourth on 1 September 2005, one-half on 1 September 2006 and the remaining one-fourth on 1 September 2007.

(2) The exercise price of option disclosed is the higher of (i) the closing price of the options of HTAL Shares on the Australian Securities Exchange on the day on which the options are granted; and (ii) the average closing price of HTAL Shares for the five trading days immediately proceeding the day on which the options are granted.

(3) The price of the shares disclosed as at the date of grant of share options was the Australian Securities Exchange closing price on the trading day immediately prior to the date of the grant of the options.

As at the date of this report, Hutchison Telecommunications Australia had 11,840,000 share options outstanding under the HTAL Option Plan, which represented approximately 1.74% of the HTAL Shares in issue at as that date.

The fair value of options granted during the year, determined using the Black-Scholes option pricing model, was A$0.10 per HTAL Share. The significant inputs into the model were weighted average share price of A$0.25 at the grant date, weighted average of expected price volatility of HTAL Shares of 35%, weighted average expected life of options of four years, zero expected dividend yield and weighted average risk-free interest rate of 5.4%. The expected price volatility is based on the historical 12-month period prior to the grant date. Changes in such subjective input assumptions could affect the fair value estimate.

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 2006, 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 & investments and others
Li Tzar Kuoi, Victor	Cheung Kong	Managing Director and Deputy Chairman	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Chairman	- Energy, infrastructure, finance & investments and others
	CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")	Chairman	- Retail (research and development, manufacture and sale of environmental and human health products) - Finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Husky Energy	Co-Chairman	- Energy

Name of Director	Name of company	Nature of interest	Nature of competing business
Fok Kin-ning, Canning	Cheung Kong	Non-executive Director	– Property and hotels – Finance & investments and others
	Cheung Kong Infrastructure	Deputy Chairman	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Chairman	– Energy
	Husky Energy	Co-Chairman	– Energy
	Hutchison Harbour Ring	Chairman	– Property
	Hutchison Telecommunications Australia	Chairman	– Telecommunications
	Panva Gas Holdings Limited	Non-executive Director (Resigned on 8 August 2006)	– Energy
	Partner Communications	Chairman	– Telecommunications
Chow Woo Mo Fong, Susan	Cheung Kong Infrastructure	Executive Director	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Executive Director (Since 11 May 2006) Non-executive Director (From 1 January 2006 to 10 May 2006)	– Energy
	Hutchison Harbour Ring	Executive Director	– Property
	Hutchison Telecommunications Australia	Director (Appointed on 15 February 2006)	– Telecommunications
	Partner Communications	Director	– Telecommunications
	TOM Group	Non-executive Director	– Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online Inc. ("TOM Online")	Alternate Director	– Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)

Name of Director	Name of company	Nature of interest	Nature of competing business
Frank John Sixt	Cheung Kong	Non-executive Director	– Property and hotels – Finance & investments and others
	Cheung Kong Infrastructure	Executive Director	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Executive Director	– Energy
	Husky Energy	Director	– Energy
	Hutchison Telecommunications Australia	Director	– Telecommunications
	Partner Communications	Director	– Telecommunications
	TOM Group	Chairman	– Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online	Chairman	– Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)
Lai Kai Ming, Dominic	Hutchison Harbour Ring	Deputy Chairman	– Property
	Hutchison Telecommunications Australia	Director	– Telecommunications
Kam Hing Lam	Cheung Kong	Deputy Managing Director	– Property and hotels – Finance & investments and others
	Cheung Kong Infrastructure	Group Managing Director	– Energy, infrastructure, finance & investments and others
	CK Life Sciences	President and Chief Executive Officer	– Retail (research and development, manufacture and sale of environmental and human health products) – Finance & investments and others
	Hongkong Electric	Executive Director	– Energy
	Spark Infrastructure Group	Non-executive Director	– Energy
George Colin Magnus	Cheung Kong	Non-executive Director	– Property and hotels – Finance & investments and others
	Cheung Kong Infrastructure	Non-executive Director	– Energy, infrastructure, finance & investments and others
	Hongkong Electric	Non-executive Director	– Energy
William Shurniak	Husky Energy	Director and Deputy Chairman	– Energy

As the Board of Directors 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 and Frank John Sixt are non-executive directors of Hutchison Telecommunications International (an associated company of the Company) which was engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan is an alternate director to Mr Fok Kin-ning, Canning during the year. In addition, she was appointed as an alternate director to Mr Frank John Sixt on 1 September 2006. 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 the Group comprised the member countries of the European Union (prior to its enlargement in 2004), the Vatican City, the Republic of 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 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.

Auditor

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, 22 March 2007

Corporate Governance Report

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding shareholder interests. The Company has accordingly adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2006.

The Board

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board, led by the Chairman, Mr Li Ka-shing, approves and monitors Group wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (the "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 2006, the Board comprised fourteen Directors, including the Chairman, Deputy Chairman, Group Managing Director, Deputy Group Managing Director, Group Finance Director, two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. Biographical details of the Directors are set out in the Directors and Senior Management Section on pages 71 to 74.

For a Director to be considered independent, the Board must be satisfied 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.

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, Mr Li Tzar Kuoi, Victor, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and Company Secretary 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 informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and contribute to the Board's functions. In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors annually without the presence of Executive Directors. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Group Managing Director, Mr Fok Kin-ning, Canning, assisted by the Deputy Group Managing Director, Mrs Chow Woo Mo Fong, Susan, 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 the Group Finance Director, Mr Frank John Sixt, other Executive Directors and the executive management team of each core business division, he presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Group Finance Director, the Group Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. 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 provides information to Directors on a regular basis on the activities and development in the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiary and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, Directors receive written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than 3 days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held four meetings in 2006 with an average attendance rate of approximately 93%.

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

Note:

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

All Non-executive Directors are engaged on service contracts for twelve-month periods. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least about once every three years on a rotation basis. None of the Directors who are proposed for re-election at a 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 arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of 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 2006.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibility of Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 114 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

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 within the Group.

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, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board processes and the timely preparation and dissemination to Directors and Board Committees comprehensive Board agendas and papers.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of annual reports and interim reports within the periods laid down in the Listing Rules, timely dissemination to shareholders and the market of announcements and information relating to the Group and assisting in the notification of Directors' dealings in securities of the Group.

The Company Secretary 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.

In relation to connected transactions, regular seminars are conducted for legal counsels and executives from business units within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance and for Directors' consideration.

Audit Committee

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who possess the appropriate business and financial management experience and skills to understand financial statements and internal controls. It is chaired by Mr Wong Chung Hin with Messrs Holger Kluge and William Shurniak as members.

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

The terms of reference of the Audit Committee adopted by the Board are published on the Group's website.

The Audit Committee held four meetings in 2006 with 100% attendance.

Name of Member	**Attended / Eligible to attend**
Wong Chung Hin *(Chairman)*	4/4
Holger Kluge	4/4
William Shurniak	4/4

Financial Statements

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

External Auditors

The Audit Committee reviews and monitors the external auditors' independence and objectivity and effectiveness of the audit process. It receives each year the letter from PwC confirming their independence and objectivity and holds meetings with PwC to consider the scope of their audit, approve their fees, and the scope and appropriateness of non-audit services, if any, to be provided by them. The Audit 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 those 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 external auditors are not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 45 to the accounts. In the year ended 31 December 2006, the fees paid to PwC were primarily for audit services.

Review of Risk Management and Internal Control

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the Group's Internal Auditors the work plan for their audits together with their resource requirements and considers the report of the Group Internal Audit General Manager to the Audit Committee on the effectiveness of internal controls in the Group business operations. In addition, it also receives the report from the Head Group General Counsel on the Group's compliance status on regulatory requirements.

These reviews and reports are taken into consideration by the Audit 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 package 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. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Directors and senior executives of the Group and determining their remuneration packages. The terms of reference of the Remuneration Committee adopted by the Board are published on the Group's website.

The remuneration of Directors and senior executives is determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and 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.

In 2006, all members of the Remuneration Committee met in November 2006 to review background information on market data (including economic indicators, recommendation from Employers' Federation of Hong Kong and 2007 Remuneration Review Guidelines of the Group), the Group's business activities and human resources issues, and headcount and staff costs. Prior to the end of the year, the Committee reviewed and approved the proposed 2006 directors' fees, year end bonus and 2007 remuneration package of Executive Directors and senior management of the Company and made recommendation to the Board on the directors' fees for Non-executive Directors. Executive Directors, however, do not participate in the determination of their own remuneration.

Directors' emoluments comprise payments to Directors from the Company and its Group companies in connection with the management of the affairs of the Company and its Group companies. The emoluments of each of the Directors exclude amounts received from the Company's listed subsidiaries or associated companies and paid to the Company. The amounts paid to each Director for 2006 are as below:

Name of Director	Director's 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), (6)]	0.05	–	–	–	–	0.05
Li Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure")	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
Fok Kin-ning, Canning [(2)]	0.10	9.81	119.00	2.03	–	130.94
Chow Woo Mo Fong, Susan [(2)]	0.10	7.34	26.00	1.47	–	34.91
Frank John Sixt [(2)]	0.16	7.32	25.88	0.64	–	34.00
Lai Kai Ming, Dominic [(2)]	0.10	4.86	12.10	0.89	–	17.95
Kam Hing Lam [(2)]						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin Magnus [(4)]						
Paid by the Company	0.10	–	–	–	–	0.10
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.17	–	–	–	–	0.17
William Shurniak [(4), (5)]	0.20	–	–	–	–	0.20
Michael David Kadoorie [(3)]	0.10	–	–	–	–	0.10
Holger Kluge [(3), (5), (6)]	0.25	–	–	–	–	0.25
Simon Murray [(3)]	0.10	–	–	–	–	0.10
Or Ching Fai, Raymond [(3)]	0.10	–	–	–	–	0.10
Wong Chung Hin [(3), (5), (6)]	0.25	–	–	–	–	0.25
Total:	1.88	36.02	227.15	5.03	–	270.08

Notes:

(1) No remuneration was paid to Mr Li Ka-shing during the year other than Director's fees 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 during the period they served as Executive Directors that have been paid to the Company 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$800,000.

(4) Non-executive Directors.

(5) Members of the Audit Committee.

(6) Members of the Remuneration Committee.

Internal Control and Group Risk Management

Introduction

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

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 parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include 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, review by the Board of actual results against the budgets, review by the Audit Committee of the ongoing work of the Group's Internal Audit function and Risk Management function, as well as 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, errors, losses or fraud.

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 material operating subsidiaries and associates for monitoring those companies, including attendance at Board meetings, review and approval of business strategies, budgets and plans, and 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, finance directors and financial controllers of the executive management teams of each of the major businesses attend monthly 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 Finance 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 the level of responsibility of each executive and officer. 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 Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. 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 which 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 reporting its findings to the Audit Committee, the Group Finance Director and the senior management concerned as well as following 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 scopes 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 Group's internal audit function and, as appropriate, to the Group Finance Director and the finance director or financial controller of the relevant executive management team. These reports are reviewed and the appropriate actions taken.

Group Risk Management

The Group Managing Director and the General Manager of the Group's risk management department have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The General Manager of the Group's risk management department, working with business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group wide risk reporting.

Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2006 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Code of Conduct

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct.

Corporate Social Responsibility

The Group has adopted a proactive approach to corporate social responsibility and undertakes a wide range of philanthropic efforts as well as community initiatives. Details of these initiatives are set out on pages 67 to 70.

Investor Relations and Shareholders' Rights

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Chairman, Group Managing Director, Group Finance Director and the Investor Relations Manager, the Group responds to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information is also available to shareholders through the Investor Information page on the Group's website.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office address a written request for such general meetings together with the proposed agenda items. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Share Registrars. The results of the poll are published on the Group's website and local newspapers. Financial and other information on the Group is made available on the Group's website, which is regularly updated.

The last shareholders' meeting of the Company was the 2006 Annual General Meeting which was held on 18 May 2006 at Harbour Plaza Hong Kong, Hung Hom, Kowloon, Hong Kong. The resolutions proposed at that meeting and the percentage of votes cast in favour of such resolutions are set out below:-

1. Consideration and approval of the statement of audited accounts and reports of directors and auditors for the year ended 31 December 2005 (99.99%);

2. Declaration of a final dividend (99.99%);

3. Election of Mrs Chow Woo Mo Fong, Susan, Mr Lai Kai Ming, Dominic, Mr Simon Murray, Mr Or Ching Fai, Raymond and Mr William Shurniak as Directors of the Company (89.30% to 99.95% in respect of each individual resolution);

4. Appointment of Auditors and authorisation of the Directors to fix the Auditors' remuneration (99.99%); and

5. Granting of a general mandate to Directors to issue additional shares in the Company (85.08%), purchase by the Company of its own shares (99.99%), extension of the general mandate regarding issue of additional shares (98.18%), and approval of share option scheme of Hutchison China MediTech Limited (99.96%).

All resolutions put to shareholders at the meeting were passed. The results of the voting by poll were published on the Group's website, the website of The Stock Exchange of Hong Kong Limited and also in local newspapers.

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

Other Corporate Information

Memorandum and Articles of Association

There were no changes to the Company's memorandum and articles of association during the year ended 31 December 2006.

Key Corporate Dates

The following are dates for certain key corporate events:

Event	Date
Payment of 2006 interim dividend	6 October 2006
Announcement of audited results for the year ended 31 December 2006	22 March 2007
Closure of Register of Members	10 May 2007 – 17 May 2007
2007 Annual General Meeting	17 May 2007
Payment of 2006 final dividend	18 May 2007
Announcement of interim results for the six months ended 30 June 2007	August 2007

Public Float Capitalisation

The public float capitalisation of the Company as at 31 December 2006 was approximately HK$162,056 million and as at the date of this report is approximately HK$154,574 million.

By order of the Board

Edith Shih
Company Secretary

Hong Kong, 22 March 2007

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hutchison Whampoa Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 115 to 191, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

2006 US$ millions		Note	2006 HK$ millions	2005 HK$ millions
	Company and subsidiary companies			
23,566	Revenue	5, 6	**183,812**	182,584
(8,604)	Cost of inventories sold		**(67,114)**	(62,804)
(3,299)	Staff costs		**(25,729)**	(25,730)
(704)	Telecommunications expensed prepaid customer acquisition costs		**(5,494)**	(11,954)
(4,242)	Depreciation and amortisation	6	**(33,091)**	(35,727)
(6,521)	Other operating expenses		**(50,860)**	(60,233)
364	Change in fair value of investment properties		**2,843**	3,685
2,986	Profit on disposal of investments and others	7	**23,290**	25,117
3,546		6	**27,657**	14,938
	Share of profits less losses after tax of:			
1,471	Associated companies	20	**11,472**	8,067
394	Jointly controlled entities	21	**3,075**	3,927
1,865		6	**14,547**	11,994
(2,128)	Interest and other finance costs	8	**(16,601)**	(15,405)
3,283	**Profit before tax**		**25,603**	11,527
(200)	Current tax charge	10	**(1,560)**	(2,511)
(182)	Deferred tax (charge) credit	10	**(1,417)**	4,538
2,901	**Profit after tax**		**22,626**	13,554
(333)	**Allocated as: Loss (profit) attributable to minority interests**		**(2,596)**	789
2,568	**Profit attributable to shareholders of the Company**	12	**20,030**	14,343
946	**Dividends**	11	**7,375**	7,375
US60.2 cents	**Earnings per share for profit attributable to shareholders of the Company**	12	**HK$4.70**	HK$3.36

CONSOLIDATED BALANCE SHEET

at 31 December 2006

2006 US$ millions		Note	2006 HK$ millions	As restated Note 2 2005 HK$ millions
	ASSETS			
	Non-current assets			
17,972	Fixed assets	13	140,181	124,243
5,341	Investment properties	14	41,657	38,557
4,525	Leasehold land	15	35,293	32,374
11,420	Telecommunications licences	16	89,077	84,624
1,350	Telecommunications postpaid customer acquisition costs	17	10,532	6,172
2,800	Goodwill	18	21,840	17,959
972	Brand names and other rights	19	7,582	3,579
9,609	Associated companies	20	74,954	65,334
4,937	Interests in joint ventures	21	38,507	37,284
2,200	Deferred tax assets	22	17,159	15,635
482	Other non-current assets	23	3,762	4,426
8,494	Liquid funds and other listed investments	24	66,251	60,669
70,102			546,795	490,856
	Current assets			
8,224	Cash and cash equivalents	25	64,151	49,717
5,665	Trade and other receivables	26	44,188	36,154
2,870	Inventories		22,382	20,337
16,759			130,721	106,208
	Current liabilities			
8,524	Trade and other payables	27	66,487	56,017
2,829	Bank and other debts	29	22,070	26,028
209	Current tax liabilities		1,629	2,080
11,562			90,186	84,125
5,197	**Net current assets**		40,535	22,083
75,299	**Total assets less current liabilities**		587,330	512,939
	Non-current liabilities			
33,458	Bank and other debts	29	260,970	233,454
1,542	Interest bearing loans from minority shareholders	30	12,030	5,429
1,926	Deferred tax liabilities	22	15,019	13,750
305	Pension obligations	31	2,378	2,323
816	Other non-current liabilities	32	6,368	4,354
38,047			296,765	259,310
37,252	**Net assets**		290,565	253,629

2006 US$ millions		Note	2006 HK$ millions	As restated Note 2 2005 HK$ millions
	CAPITAL AND RESERVES			
137	Share capital	33	**1,066**	1,066
34,965	Reserves		**272,728**	242,488
35,102	**Total shareholders' funds**		**273,794**	243,554
2,150	Minority interests		**16,771**	10,075
37,252	**Total equity**	34	**290,565**	253,629

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

2006 US$ millions		Note	2006 HK$ millions	As restated Note 2 2005 HK$ millions
	Operating activities			
6,294	Cash generated from operating activities before interest and other finance costs, tax paid, telecommunications expensed prepaid CACs [a] and changes in working capital	35 (a)	49,096	42,699
(2,050)	Interest and other finance costs paid		(15,990)	(14,559)
(258)	Tax paid		(2,010)	(2,268)
3,986	Funds from operations before telecommunications expensed prepaid CACs		31,096	25,872
(704)	Telecommunications expensed prepaid CACs		(5,494)	(11,954)
3,282	**Funds from operations**		25,602	13,918
131	Changes in working capital	35 (b)	1,020	(7,408)
3,413	**Net cash from operating activities**		26,622	6,510
	Investing activities			
(1,397)	Purchase of fixed assets and investment properties for established businesses		(10,895)	(10,837)
(1,482)	Purchase of fixed assets for 3G businesses		(11,559)	(14,051)
(186)	Additions to leasehold land		(1,454)	(2,118)
–	Purchase of telecommunications licences		–	(221)
(1,952)	Additions to telecommunications postpaid CACs		(15,223)	(12,632)
(239)	Additions to brand names and other rights		(1,863)	(796)
(482)	Purchase of subsidiary companies	35 (c)	(3,759)	(8,630)
–	Purchase of minority interests		–	(2,638)
(219)	Purchase of and advances to associated companies		(1,705)	(11,977)
(468)	Purchase of and advances to jointly controlled entities		(3,647)	(8,956)
(2)	Additions to other unlisted investments		(18)	(430)
227	Repayments from associated companies and non-property jointly controlled entities		1,769	2,812
142	Deposits from associated companies and jointly controlled entities		1,104	558
298	Proceeds on disposal of fixed assets, leasehold land and investment properties		2,325	634
71	Proceeds on disposal of subsidiary companies	35 (d)	550	7,750
4,307	Proceeds on partial disposal of subsidiary companies	35 (e)	33,595	4,994
–	Proceeds on disposal of associated companies	35 (f)	–	12,048
–	Proceeds on disposal of jointly controlled entities		–	202
80	Proceeds on disposal of other unlisted investments		622	424
12	Proceeds on disposal of infrastructure project investments		94	196
252	Disposal of liquid funds and other listed investments		1,967	2,850
(539)	Additions to liquid funds and other listed investments		(4,205)	(95)
(1,577)	**Cash flows used in investing activities**		(12,302)	(40,913)

2006 US$ millions		Note	2006 HK$ millions	As restated Note 2 2005 HK$ millions
	Financing activities			
7,980	New borrowings		62,241	86,374
(6,878)	Repayment of borrowings		(53,645)	(67,092)
212	Issue of shares by subsidiary companies to minority shareholders		1,653	749
(354)	Dividends paid to minority shareholders		(2,760)	(2,334)
(946)	Dividends paid to shareholders		(7,375)	(7,375)
14	**Cash flows from financing activities**		114	10,322
1,850	Increase (decrease) in cash and cash equivalents		14,434	(24,081)
6,374	Cash and cash equivalents at 1 January		49,717	73,798
8,224	**Cash and cash equivalents at 31 December**		64,151	49,717
	Analysis of cash, liquid funds and other listed investments			
8,224	Cash and cash equivalents, as above	25	64,151	49,717
8,494	Liquid funds and other listed investments	24	66,251	60,669
16,718	**Total cash, liquid funds and other listed investments**		130,402	110,386
36,287	Bank and other debts		283,040	259,482
1,542	Interest bearing loans from minority shareholders		12,030	5,429
21,111	**Net debt**		164,668	154,525
(1,542)	Interest bearing loans from minority shareholders		(12,030)	(5,429)
19,569	**Net debt (excluding interest bearing loans from minority shareholders)**		152,638	149,096

(a) CACs represents customer acquisition costs

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2006

2006 US$ millions		Note	2006 HK$ millions	2005 HK$ millions
437	Fair value changes in available-for-sale investments		3,409	(117)
–	Fair value changes arising from business combination		–	1,233
6	Fair value adjustment upon transfer from other properties to investment properties		44	188
–	Deferred tax effect on fair value adjustment upon transfer from other properties to investment properties		–	(31)
(85)	Valuation released upon disposal of available-for-sale investments		(665)	(845)
(19)	Gain (loss) on cash flow hedges		(149)	357
2,012	Exchange translation differences		15,694	(15,415)
81	Actuarial gains and losses of defined benefit plans		636	(283)
(16)	Deferred tax effect on actuarial gains and losses of defined benefit plans		(126)	93
2,416	Net income (expense) recognised directly in equity	34	18,843	(14,820)
2,901	Profit after tax		22,626	13,554
5,317	Total recognised income and expense	34	41,469	(1,266)
384	Allocated as: Attributable to minority interests		2,996	(1,797)
4,933	Attributable to shareholders of the Company		38,473	531

1 Significant accounting policies

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out below.

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2006 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(c) and 1(d) 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 2006 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 1(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

An associate is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities are joint venture which involves the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

1 Significant accounting policies (continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. 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 of the underlying leasehold land, 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 or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in profit or loss.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the balance sheet as leasehold land and expensed in profit or loss on a straight-line basis over the period of the lease.

(h) Telecommunications licences

Telecommunications licences are comprised of the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date of first commercial usage of the spectrum. Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence periods ranging from approximately 11 to 19 years and are stated net of accumulated amortisation.

(i) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties ("Telecommunications postpaid CACs") are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12 to 24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn. Telecommunications postpaid customer acquisition costs are stated net of accumulated amortisation.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, ("Telecommunications prepaid CACs") are expensed in the period incurred.

1 Significant accounting policies (continued)

(j) 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.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and jointly controlled entities at the date of acquisition, and subject to impairment test 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 profit or loss.

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.

(k) Brand names and other rights

The payments made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with definite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years. Brand names and other rights are stated net of accumulated amortisation, if any.

(l) Deferred tax

Deferred tax 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.

(m) Liquid funds and other listed investments and other unlisted investments

Liquid funds and other listed investments are investments in listed debt securities, listed equity securities, long-term deposits and cash and cash equivalents. Other unlisted investments, disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and infrastructure projects. These investments are recognised and derecognised on the date the Group commits to purchase or sell the investments or when they expire.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised in the balance sheet at fair value plus transaction costs and subsequently carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

1 Significant accounting policies (continued)

(m) Liquid funds and other listed investments and other unlisted investments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, are financial assets where changes in fair value are included in profit or loss and are only designated as such at time of acquisition. These financial assets are initially recognised in the balance sheet at fair value.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These investments are initially recognised in the balance sheet at fair value plus transaction costs and measured at each subsequent reporting date at fair value. Changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in the investment revaluation reserve is recognised in profit or loss.

(n) Derivative financial instruments and hedging activities

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. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under Hong Kong Accounting Standard ("HKAS") 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivatives, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in profit or loss as interest and other finance costs.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivatives are dealt with as movements in hedging reserve.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in profit or loss.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(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.

1 Significant accounting policies (continued)

(q) Inventories

Inventories consist mainly of retail goods and the carrying value is mainly determined using the weighted average cost method. Other inventories are stated at the lower of cost and net realisable value.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Share Capital

Share capital issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(w) 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 profit or loss. All other leases are accounted for as operating leases and the rental payments are charged to profit or loss on accrual basis.

1 Significant accounting policies (continued)

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed for impairment 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 profit or loss 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.

(y) Pension plans

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

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss 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. The pension obligation is measured at 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. All actuarial gains and losses are recognised in full in the year in which they occur, outside profit or loss, in reserves.

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

Pension costs are charged against profit or loss 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.

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(aa) 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 profit or loss.

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 exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are dealt with as a movement in exchange reserve. On disposal of the net investment in a foreign entity, such exchange gains or losses are transferred out of the exchange reserve and are recognised in profit or loss. Exchange differences arising from translation of inter-company loan balances between Group entities are taken to exchange reserve when such loans form part of the Group's net investment in a foreign entity. When such loans are repaid, the related exchange gains or losses are transferred out of the exchange reserve and are recognised in profit or loss.

1 Significant accounting policies (continued)

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services
Revenue from the provision of ports and related services is recognised when the service is rendered.

Property and hotels
Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the occupation permit, whichever is later.
Rental income is recognised on a straight-line basis over the period of the lease.
Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

Retail
Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Energy and infrastructure
Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded on a gross basis when title passes to an external party.
Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is rendered.
Income from infrastructure projects is recognised on a time proportion basis, using the effective interest method.
Income from long-term contracts is recognised according to the stage of completion.

Finance and investments
Dividend income from investments in securities is recognised when the Group's right to receive payment is established.
Interest income is recognised on a time proportion basis using the effective interest method.

Mobile and fixed-line telecommunications services
Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.
Revenue from the sales of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.
Monthly access charge on the provision of fixed-line telecommunications services is recognised on a straight-line basis over the respective period.
Other service income is recognised when the service is rendered.

1 Significant accounting policies (continued)

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above standards, amendments and interpretations in future periods is not expected to result in substantial changes to the Group's accounting policies.

2 Restatement of certain 2005 comparative information

In accordance with HKFRS 3, Business Combinations, the provisionally estimated fair values of assets and liabilities acquired on the acquisitions of Marionnaud Parfumeries SA ("Marionnaud") and Merchant Retail Group in 2005 were used for the preparation of the 31 December 2005 annual accounts. The fair value exercise was completed during the current year, and pursuant to HKFRS 3, the comparative 31 December 2005 consolidated balance sheet has been restated to reflect the revised fair value of assets and liabilities acquired. The effect of the reassessed fair values was not material and is as follows:

	HK$ millions
Decrease in fixed assets	(35)
Increase in goodwill	5
Decrease in deferred tax assets	(88)
Increase in other receivables and prepayments	143
Increase in other payables and accruals	(25)

In addition, the presentation of certain comparative information has been changed to conform with the current year's presentation, which does not have any impact on the profit for the year or total equity.

3 Critical accounting estimates and judgements

Note 1 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. 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, estimates and judgements 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 accounts.

(a) 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 judgements 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 profit or loss 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 indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or 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. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2006 and 31 December 2005 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

The future cash flow projections for the 3G businesses reflect growing recurring revenue and margins derived from an accumulating customer base and diminishing ongoing investments in network infrastructure and in customer acquisitions.

3 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in the customer operations and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the new 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

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 test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 10%. 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 and therefore the results of the impairment tests.

(b) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets 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 residual 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 licences comprise the right to use spectrum and the right to provide a telecommunications service.

Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence period and are stated net of accumulated amortisation.

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 profit or loss.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(iii) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12-24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, are expensed in the period incurred.

(c) 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 test described above. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 8% to 10%. 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 and therefore the results of the impairment tests.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in profit or loss.

(e) Tax

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

3 Critical accounting estimates and judgements (continued)

(e) Tax (continued)

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable 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 profit or loss.

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's 3G operation in the UK where, among other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. No deferred tax assets have been recognised for the unused tax losses carried forward by the Group's 3G other operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for **3** UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to profit or loss if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used 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.

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to profit or loss 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 at 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. Actuarial gains and losses are recognised in full in the year in which they occur, outside profit or loss, in reserves.

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 accounts in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. 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.

4 Financial risk management

The Group's major financial instruments include liquid funds and other listed investments and borrowings. Details of these financial instruments are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by its executive directors, which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. 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. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transaction for speculative purposes.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. 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 and provide more cost-efficient financing. 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.

(b) Interest rate exposure

The Group's main interest risk exposures relate to US dollar, Euro and HK dollar borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively, as described in note 29.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an 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 may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. During the year, the HK dollar weakened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised gain of HK$15,416 million (2005 – unrealised charge of HK$13,904 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist, as described in note 1(n).

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments expose the Group to credit risk of the counterparty. The Group controls its credit risk to non-performance by its counterparties through the setting of approved counterparty credit limits which are regularly reviewed and by monitoring their credit ratings.

5 Turnover and revenue

Turnover comprises revenues from the sales of goods and development properties, provision of services and rental income from investment properties, interest income and finance charges earned, and dividend income from equity investments. An analysis of revenue of the Company and subsidiary companies is as follows:

	2006 HK$ millions	2005 HK$ millions
Sales of goods	**92,334**	83,271
Rendering of services	**85,677**	93,315
Interest	**5,461**	5,495
Dividends	**340**	503
	183,812	182,584

6 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments. 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 and is included as supplementary information (See notes 20 and 21).

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK$65 million (2005 – nil), Property and hotels is HK$251 million (2005 – HK$308 million), Finance & investments and others is HK$384 million (2005 – HK$306 million) and Hutchison Telecommunications International is nil (2005 – HK$17 million).

Business segment

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	% [(a)]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	% [(a)]
ESTABLISHED BUSINESSES								
Ports and related services	29,081	3,960	33,041	15%	26,561	3,356	29,917	15%
Property and hotels	4,889	5,828	10,717	5%	4,275	5,990	10,265	5%
Retail	86,876	12,273	99,149	45%	78,850	9,930	88,780	44%
Cheung Kong Infrastructure	2,207	12,615	14,822	7%	2,508	14,082	16,590	8%
Husky Energy	–	29,981	29,981	14%	–	22,879	22,879	11%
Finance & investments and others	10,248	2,366	12,614	6%	8,527	2,003	10,530	5%
Hutchison Telecommunications International	–	16,672	16,672	8%	24,480	919	25,399	12%
Subtotal - established businesses	133,301	83,695	216,996	100%	145,201	59,159	204,360	100%
TELECOMMUNICATIONS - 3 Group	50,511	157	50,668		37,383	119	37,502	
	183,812	83,852	267,664		182,584	59,278	241,862	

6 Segment information (continued)

Business segment (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	9,881	1,514	11,395	26%	8,978	1,241	10,219	27%
Property and hotels	2,649	3,018	5,667	13%	1,994	1,945	3,939	10%
Retail	2,059	661	2,720	6%	2,761	500	3,261	9%
Cheung Kong Infrastructure	629	5,507	6,136	14%	1,088	5,587	6,675	17%
Husky Energy	–	8,305	8,305	19%	–	6,140	6,140	16%
Finance & investments and others	6,305	615	6,920	16%	5,009	504	5,513	14%
Hutchison Telecommunications International	–	2,648	2,648	6%	2,586	203	2,789	7%
EBIT - established businesses	21,523	22,268	43,791	100%	22,416	16,120	38,536	100%
TELECOMMUNICATIONS - 3 Group [c]								
EBIT before depreciation, amortisation and telecommunications expensed prepaid CACs	13,216	7	13,223		1,825	–	1,825	
Telecommunications expensed prepaid CACs	(5,494)	–	(5,494)		(11,444)	–	(11,444)	
EBIT (LBIT) before depreciation and amortisation and after telecommunications expensed prepaid CACs	7,722	7	7,729		(9,619)	–	(9,619)	
Depreciation	(9,497)	(4)	(9,501)		(9,086)	–	(9,086)	
Amortisation of licence fees and other rights	(6,503)	–	(6,503)		(6,060)	–	(6,060)	
Amortisation of telecommunications postpaid CACs	(11,721)	–	(11,721)		(11,515)	–	(11,515)	
EBIT (LBIT) - Telecommunications - 3 Group	(19,999)	3	(19,996)		(36,280)	–	(36,280)	
Change in fair value of investment properties	2,843	959	3,802		3,685	1,540	5,225	
Profit on disposal of investments and others (See note 7)	23,290	–	23,290		25,117	–	25,117	
EBIT	27,657	23,230	50,887		14,938	17,660	32,598	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(3,745)				(2,751)		
Current tax		(3,273)				(1,608)		
Deferred tax		(901)				(1,285)		
Minority interests		(764)				(22)		
Share of profits less losses after tax of associated companies and jointly controlled entities		14,547				11,994		

6 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions
ESTABLISHED BUSINESSES						
Ports and related services	2,848	517	3,365	2,649	456	3,105
Property and hotels	309	151	460	301	204	505
Retail	1,941	161	2,102	1,769	80	1,849
Cheung Kong Infrastructure	125	1,852	1,977	209	2,668	2,877
Husky Energy	–	4,232	4,232	–	3,196	3,196
Finance & investments and others	147	90	237	135	76	211
Hutchison Telecommunications International	–	2,335	2,335	4,003	98	4,101
Subtotal – established businesses	5,370	9,338	14,708	9,066	6,778	15,844
TELECOMMUNICATIONS – 3 Group	27,721	4	27,725	26,661	–	26,661
	33,091	9,342	42,433	35,727	6,778	42,505

	Capital expenditure				
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Telecom-munications postpaid customer acquisition costs HK$ millions	Brand names and other rights HK$ millions	2006 Total HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	9,049	–	–	230	9,279
Property and hotels	221	–	–	–	221
Retail	2,668	–	–	–	2,668
Cheung Kong Infrastructure	42	–	–	–	42
Husky Energy	–	–	–	–	–
Finance & investments and others	369	–	–	55	424
Hutchison Telecommunications International	–	–	–	–	–
Subtotal – established businesses	12,349	–	–	285	12,634
TELECOMMUNICATIONS – 3 Group [(d)]	11,559	–	15,223	1,578	28,360
	23,908	–	15,223	1,863	40,994

6 Segment information (continued)

Business segment (continued)

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Telecom-munications postpaid customer acquisition costs	Brand names and other rights	2005 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	4,951	–	–	796	5,747
Property and hotels	226	–	–	–	226
Retail	2,454	–	–	–	2,454
Cheung Kong Infrastructure	78	–	–	–	78
Husky Energy	–	–	–	–	–
Finance & investments and others	422	–	–	–	422
Hutchison Telecommunications International	4,824	–	533	–	5,357
Subtotal - established businesses	12,955	–	533	796	14,284
TELECOMMUNICATIONS - 3 Group (d)	14,051	221	12,099	–	26,371
	27,006	221	12,632	796	40,655

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2006 Total assets	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2005 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	81,874	256	10,937	93,067	69,622	215	9,856	79,693
Property and hotels	47,239	10	22,864	70,113	45,050	12	20,717	65,779
Retail	50,851	170	2,001	53,022	37,496	194	1,520	39,210
Cheung Kong Infrastructure	16,540	–	41,267	57,807	15,918	287	38,995	55,200
Husky Energy	–	–	26,052	26,052	–	–	21,892	21,892
Finance & investments and others	128,856	43	2,776	131,675	116,461	32	2,676	119,169
Hutchison Telecommunications International	–	–	7,043	7,043	–	–	6,759	6,759
Subtotal - established businesses	325,360	479	112,940	438,779	284,547	740	102,415	387,702
TELECOMMUNICATIONS - 3 Group (f)	221,536	16,680	521	238,737	194,264	14,895	203	209,362
	546,896	17,159	113,461	677,516	478,811	15,635	102,618	597,064

6 Segment information (continued)

Business segment (continued)

	Total liabilities							
	Segment liabilities (g)	Current & long-term borrowings (h) and other non-current liabilities	Current & deferred tax liabilities	2006 Total liabilities	Segment liabilities (g)	Current & long-term borrowings (h) and other non-current liabilities	Current & deferred tax liabilities	2005 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	14,870	41,709	6,539	63,118	11,980	27,057	6,532	45,569
Property and hotels	2,277	805	4,276	7,358	2,319	815	3,874	7,008
Retail	10,033	28,520	331	38,884	9,084	25,761	463	35,308
Cheung Kong Infrastructure	1,441	9,505	1,809	12,755	1,203	9,068	2,112	12,383
Husky Energy	–	–	2,129	2,129	–	–	1,651	1,651
Finance & investments and others	14,818	66,055	1,126	81,999	13,831	77,406	864	92,101
Hutchison Telecommunications International	–	–	–	–	–	–	–	–
Subtotal - established businesses	43,439	146,594	16,210	206,243	38,417	140,107	15,496	194,020
TELECOMMUNICATIONS - 3 Group	25,426	154,844	438	180,708	19,923	129,158	334	149,415
	68,865	301,438	16,648	386,951	58,340	269,265	15,830	343,435

6 Segment information (continued)

Geographical segment

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	%
Hong Kong	31,060	14,105	45,165	17%	36,459	13,154	49,613	20%
Mainland China	16,135	8,811	24,946	9%	13,256	6,310	19,566	8%
Asia and Australia	20,028	18,032	38,060	14%	36,055	7,108	43,163	18%
Europe	106,908	12,651	119,559	45%	89,028	9,645	98,673	41%
Americas and others	9,681	30,253	39,934	15%	7,786	23,061	30,847	13%
	183,812	83,852	267,664	100%	182,584	59,278	241,862	100%

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	%
Hong Kong	6,057	4,311	10,368	20%	2,801	5,441	8,242	25%
Mainland China	4,658	3,260	7,918	16%	4,078	1,988	6,066	19%
Asia and Australia	1,009	5,115	6,124	12%	2,663	1,734	4,397	13%
Europe	(14,480)	1,303	(13,177)	-26%	(26,906)	755	(26,151)	-80%
Americas and others	4,280	8,282	12,562	25%	3,500	6,202	9,702	30%
Change in fair value of investment properties	2,843	959	3,802	7%	3,685	1,540	5,225	16%
Profit on disposal of investments and others (See note 7)	23,290	–	23,290	46%	25,117	–	25,117	77%
EBIT	27,657	23,230	50,887	100%	14,938	17,660	32,598	100%
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(3,745)				(2,751)		
Current tax		(3,273)				(1,608)		
Deferred tax		(901)				(1,285)		
Minority interests		(764)				(22)		
Share of profits less losses after tax of associated companies and jointly controlled entities		14,547				11,994		

6 Segment information (continued)

Geographical segment (continued)

	Capital expenditure (d)				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Telecom-munications postpaid customer acquisition costs	Brand names and other rights	2006 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	**1,503**	**–**	**–**	**55**	**1,558**
Mainland China	**4,622**	**–**	**–**	**–**	**4,622**
Asia and Australia	**2,337**	**–**	**445**	**14**	**2,796**
Europe	**14,207**	**–**	**14,778**	**1,794**	**30,779**
Americas and others	**1,239**	**–**	**–**	**–**	**1,239**
	23,908	**–**	**15,223**	**1,863**	**40,994**

	Capital expenditure (d)				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Telecom-munications postpaid customer acquisition costs	Brand names and other rights	2005 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	1,789	–	477	–	2,266
Mainland China	2,355	–	–	–	2,355
Asia and Australia	6,500	–	617	–	7,117
Europe	15,418	221	11,538	–	27,177
Americas and others	944	–	–	796	1,740
	27,006	221	12,632	796	40,655

6 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	2006 Total assets	Segment assets [e]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2005 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	91,032	101	36,890	128,023	81,827	78	37,561	119,466
Mainland China	33,937	43	27,650	61,630	28,031	301	25,649	53,981
Asia and Australia	36,831	134	14,211	51,176	36,221	141	9,894	46,256
Europe	286,799	16,815	6,366	309,980	251,889	15,077	5,369	272,335
Americas and others	98,297	66	28,344	126,707	80,843	38	24,145	105,026
	546,896	17,159	113,461	677,516	478,811	15,635	102,618	597,064

(a) The percentages shown represent the contributions to total revenues and EBIT of established businesses.

(b) Earnings (losses) before interest expense and tax ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. 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 (loss) from operations. The Group considers EBIT (LBIT) 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 in Hong Kong 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 (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(c) Included in LBIT of Telecommunications – **3** Group in 2006 are foreign exchange gains totalling HK$2,294 million (2005 – nil) which mainly comprise a HK$1,731 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling notes and bank loans and a HK$428 million gain arising from the Group's refinancing of certain non-Swedish Krona borrowings with Swedish Krona bank loans.

(d) Included in capital expenditures of Telecommunications – **3** Group in 2006 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2006 which increased total expenditure by HK$3,074 million (2005 – decrease of HK$3,019 million).

(e) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, telecommunications postpaid customer acquisition costs, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.

(f) Included in total assets of Telecommunications – **3** Group is an unrealised foreign currency exchange gain arising in 2006 of HK$19,505 million (2005 – loss of HK$18,979 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(g) Segment liabilities comprise trade and other payables and pension obligations.

(h) Current and long-term borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

7 Profit on disposal of investments and others

	2006 HK$ millions	2005 HK$ millions
ESTABLISHED BUSINESSES		
Profit on partial disposal of subsidiaries	**24,380**	14,050
Profit on disposal of associated companies	**–**	3,699
Impairment loss	**–**	(2,032)
TELECOMMUNICATIONS - 3 Group		
Profit on sale of **3**UK data centres	**751**	–
CDMA network closure costs	**(1,841)**	–
Profit on elimination of minority interests	**–**	9,400
	23,290	25,117

Profit on partial disposal of subsidiaries for the year arises from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments. The CDMA network closure costs relate to the closure in August 2006 of the Group's 2G CDMA services in Australia and the costs to migrate the 2G customers to the 3G network.

Profit on partial disposal of subsidiaries in 2005 represented a profit of HK$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong), a profit of HK$1,150 million from issuance of new Hutchison Telecommunications International Limited ("HTIL") shares to privatise Hutchison Global Communications Holdings Limited and a profit of HK$7,400 million from the disposal of a 19.3% interest in HTIL.

Profit on disposal of associated companies of HK$3,699 million in 2005 related to the disposal of a 49% interest in Cheung Kong Infrastructure's Australian electricity distribution businesses.

The impairment loss in 2005 related to certain infrastructure operations and projects of Cheung Kong Infrastructure. The impairment loss was primarily made against fixed assets of HK$769 million due to physical damage and technical obsolescence, against leasehold land, outside Hong Kong of HK$21 million by references to the latest market transaction prices, and against investments in associated companies and jointly controlled entities of HK$1,116 million and other non-current assets of HK$126 million due to lower projected revenue from certain projects and operations.

Profit on elimination of minority interests of HK$9,400 million in 2005 arose from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to its net asset value.

8 Interest and other finance costs

	2006 HK$ millions	2005 HK$ millions
Bank loans and overdrafts	**5,856**	6,332
Other loans repayable within 5 years	**754**	572
Other loans not wholly repayable within 5 years	**6**	387
Notes and bonds repayable within 5 years	**2,688**	1,798
Notes and bonds not wholly repayable within 5 years	**6,492**	5,818
Interest bearing loans from minority shareholders repayable within 5 years	**558**	229
Interest bearing loans from minority shareholders not wholly repayable within 5 years	**71**	2
	16,425	15,138
Notional non-cash interest accretion	**611**	846
	17,036	15,984
Less: interest capitalised	**(435)**	(579)
	16,601	15,405

Borrowing costs have been capitalised at various applicable rates ranging from 4.6% to 7.9% per annum (2005 – 3% to 7% per annum).

Notional non-cash interest accretion represents amortisation of upfront facility fees and other notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

9 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 for both 2005 and 2006 are as below:

	2006					
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	Total emoluments HK$ millions
LI Ka-shing [(a) (g)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning [(b)]	0.10	9.81	119.00	2.03	–	130.94
CHOW WOO Mo Fong, Susan [(b)]	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT [(b)]	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic [(b)]	0.10	4.86	12.10	0.89	–	17.95
KAM Hing Lam [(b)]						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS [(e)]						
Paid by the Company	0.10	–	–	–	–	0.10
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.17	–	–	–	–	0.17
William SHURNIAK [(e) (f)]	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.10	–	–	–	–	0.10
Holger KLUGE [(c) (f) (g)]	0.25	–	–	–	–	0.25
Simon MURRAY [(c)]	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond [(c)]	0.10	–	–	–	–	0.10
WONG Chung Hin [(c) (f) (g)]	0.25	–	–	–	–	0.25
Total	1.88	36.02	227.15	5.03	–	270.08

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2005 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

(b) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as executive directors that have been paid to the Company are not included in the amounts above.

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$800,000 (2005 – HK$780,000).

(d) Re-designated as non-executive director on 1 November 2005

(e) Non-executive director

(f) Members of the Audit Committee

(g) Members of the Remuneration Committee

9 Directors' emoluments (continued)

	2005					
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
Name of directors	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
LI Ka-shing (a) (g)	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning (b)	0.10	9.83	119.00	2.03	–	130.96
CHOW WOO Mo Fong, Susan (b)	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT (b)	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic (b)	0.10	4.88	11.00	0.85	–	16.83
KAM Hing Lam (b)						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS (b) (d)	0.12	3.36	3.50	–	–	6.98
William SHURNIAK (e) (f)	0.20	–	–	–	–	0.20
Michael David KADOORIE (c)	0.10	–	–	–	–	0.10
Holger KLUGE (c) (f) (g)	0.24	–	–	–	–	0.24
Simon MURRAY (c)	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond (c)	0.10	–	–	–	–	0.10
WONG Chung Hin (c) (f) (g)	0.24	–	–	–	–	0.24
Total	1.81	39.42	229.55	4.99	–	275.77

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2005 – Nil).

In 2006, 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$5.96 million; provident fund contribution – HK$0.46 million; and bonus – HK$73.0 million. In 2005, 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$5.59 million; provident fund contribution – HK$0.44 million; and bonus – HK$26.0 million.

10 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2006 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2005 Total HK$ millions
Hong Kong	424	388	812	532	554	1,086
Outside Hong Kong	1,136	1,029	2,165	1,979	(5,092)	(3,113)
	1,560	1,417	2,977	2,511	(4,538)	(2,027)

Hong Kong profits tax has been provided for at the rate of 17.5% (2005 – 17.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, no deferred tax assets has been recognised for the losses of 3G businesses (2005 – HK$5,926 million) (See note 22).

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	2006 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	3,097	(8,677)	(5,580)
Tax losses not recognised	336	8,803	9,139
Tax incentives	(367)	–	(367)
Income not subject to tax	(1,003)	(224)	(1,227)
Expenses not deductible for tax purposes	1,350	123	1,473
Recognition of previously unrecognised tax losses	(20)	–	(20)
Utilisation of previously unrecognised tax losses	(50)	–	(50)
Under provision in prior years	(97)	1	(96)
Deferred tax assets written off	12	–	12
Other temporary differences	(278)	(14)	(292)
Effect of change in tax rate	(15)	–	(15)
Total tax for the year	2,965	12	2,977

10 Tax (continued)

	Established businesses HK$ millions	Telecom-munications – **3** Group HK$ millions	2005 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	1,947	(13,927)	(11,980)
Tax losses not recognised	1,801	8,112	9,913
Tax incentives	(899)	–	(899)
Income not subject to tax	(1,478)	(166)	(1,644)
Expenses not deductible for tax purposes	2,904	38	2,942
Recognition of previously unrecognised tax losses	(131)	–	(131)
Utilisation of previously unrecognised tax losses	(568)	–	(568)
Under provision in prior years	119	83	202
Deferred tax assets written off	2	–	2
Other temporary differences	206	(84)	122
Effect of change in tax rate	(6)	20	14
Total tax for the year	3,897	(5,924)	(2,027)

11 Dividends

	2006 **HK$ millions**	2005 HK$ millions
Interim, paid of HK$0.51 per share (2005 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.22 per share (2005 – HK$1.22)	**5,201**	5,201
	7,375	7,375

12 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$20,030 million (2005 – HK$14,343 million) and on 4,263,370,780 shares in issue during 2006 (2005 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options and convertible debts outstanding as at 31 December 2006. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2006 did not have a dilutive effect on earnings per share.

13 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2005	31,294	90,829	81,304	203,427
Additions	1,318	5,014	18,526	24,858
Disposals	(106)	(707)	(2,092)	(2,905)
Relating to subsidiaries acquired	560	5,720	5,805	12,085
Relating to subsidiaries disposed of	(166)	(34,612)	(7,968)	(42,746)
Revaluation upon transfer to investment properties	5	–	–	5
Transfer from (to) other assets	25	(180)	88	(67)
Transfer between categories/investment properties /leasehold land	(677)	13,135	(13,257)	(799)
Exchange translation differences	(1,077)	(8,099)	(6,708)	(15,884)
At 1 January 2006	**31,176**	**71,100**	**75,698**	**177,974**
Additions	**3,570**	**687**	**18,152**	**22,409**
Disposals	**(1,167)**	**(1,066)**	**(2,263)**	**(4,496)**
Relating to subsidiaries acquired	**149**	**–**	**2,001**	**2,150**
Relating to subsidiaries disposed of	**(483)**	**–**	**(285)**	**(768)**
Revaluation upon transfer to investment properties	**44**	**–**	**–**	**44**
Transfer from (to) other assets	**5**	**(217)**	**(1,341)**	**(1,553)**
Transfer between categories/investment properties /leasehold land	**(174)**	**10,003**	**(9,794)**	**35**
Exchange translation differences	**1,171**	**8,723**	**6,524**	**16,418**
At 31 December 2006	**34,291**	**89,230**	**88,692**	**212,213**

13 Fixed assets (continued)

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Accumulated depreciation and impairment				
At 1 January 2005	6,229	15,879	33,716	55,824
Charge for the year	751	8,259	7,047	16,057
Impairment recognised	282	57	589	928
Impairment reversed	–	–	(25)	(25)
Disposals	(61)	(682)	(1,606)	(2,349)
Relating to subsidiaries acquired	43	2,120	2,510	4,673
Relating to subsidiaries disposed of	(44)	(12,591)	(3,985)	(16,620)
Transfer from (to) other assets	(5)	(148)	9	(144)
Transfer between categories/investment properties /leasehold land	38	(898)	851	(9)
Exchange translation differences	(338)	(1,163)	(3,103)	(4,604)
At 1 January 2006	**6,895**	**10,833**	**36,003**	**53,731**
Charge for the year	**951**	**7,226**	**5,706**	**13,883**
Impairment recognised	–	**25**	**6**	**31**
Impairment reversed	–	–	**(2)**	**(2)**
Disposals	**(228)**	**(465)**	**(1,854)**	**(2,547)**
Relating to subsidiaries acquired	**93**	–	**737**	**830**
Relating to subsidiaries disposed of	**(10)**	–	**(85)**	**(95)**
Transfer from (to) other assets	–	**(109)**	**188**	**79**
Transfer between categories/investment properties /leasehold land	**104**	**(607)**	**623**	**120**
Exchange translation differences	**264**	**1,604**	**4,134**	**6,002**
At 31 December 2006	**8,069**	**18,507**	**45,456**	**72,032**
Net book value				
At 31 December 2006	**26,222**	**70,723**	**43,236**	**140,181**
At 31 December 2005	24,281	60,267	39,695	124,243

Land and buildings include projects under development in the amount of HK$1,567 million (2005 – HK$1,339 million).

Cost and net book value of fixed assets include HK$118,665 million (2005 – HK$98,810 million) and HK$85,943 million (2005 – HK$78,808 million) respectively, relating to 3G businesses. Impairment tests were undertaken at 31 December 2006 and 31 December 2005 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective businesses. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

14 Investment properties

	2006 HK$ millions	2005 HK$ millions
Valuation		
At 1 January	**38,557**	31,741
Additions	**45**	30
Disposals	**–**	(94)
Relating to subsidiaries acquired	**23**	2,574
Relating to subsidiaries disposed of	**–**	(23)
Change in fair value of investment properties	**2,843**	3,685
Transfer from fixed assets and leasehold land	**59**	634
Exchange translation differences	**130**	10
At 31 December	**41,657**	38,557

Investment properties have been fair valued as at 31 December 2006 and 31 December 2005 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2006 HK$ millions	2005 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**15,918**	14,983
Medium leasehold (less than 50 years but not less than 10 years)	**22,097**	20,167
Outside Hong Kong		
Freehold	**210**	212
Medium leasehold	**3,432**	3,195
	41,657	38,557

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

	2006 HK$ millions	2005 HK$ millions
Within 1 year	**1,991**	1,679
After 1 year, but within 5 years	**2,252**	2,618
After 5 years	**515**	235

15 Leasehold land

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	32,374	31,037
Additions	1,454	2,118
Disposals	(25)	–
Relating to subsidiaries acquired	2,164	37
Relating to subsidiaries disposed of	(48)	(16)
Revaluation upon transfer to investment properties	–	183
Depreciation for the year	(956)	(982)
Impairment recognised	–	(21)
Transfer to investment properties	–	(505)
Transfer from fixed assets	26	661
Exchange translation differences	304	(138)
At 31 December	35,293	32,374

The Group's leasehold land comprises:

	2006 HK$ millions	2005 HK$ millions
Hong Kong		
Long leasehold	1,581	1,600
Medium leasehold	13,643	14,024
Outside Hong Kong		
Long leasehold	1,162	1,076
Medium leasehold	18,794	15,614
Short leasehold (less than 10 years)	113	60
	35,293	32,374

16 Telecommunications licences

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	**84,624**	102,907
Additions	**–**	221
Relating to subsidiaries acquired	**–**	2,402
Relating to subsidiaries disposed of	**–**	(4,682)
Amortisation for the year	**(5,766)**	(5,989)
Exchange translation differences	**10,219**	(10,235)
At 31 December	**89,077**	84,624
Cost	**109,768**	97,608
Accumulated amortisation	**(20,691)**	(12,984)
	89,077	84,624

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2006 and 31 December 2005 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

17 Telecommunications postpaid customer acquisition costs

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	**6,172**	6,823
Additions	**15,223**	12,632
Relating to subsidiaries disposed of	**–**	(261)
Amortisation and write off for the year	**(11,721)**	(12,013)
Exchange translation differences	**858**	(1,009)
At 31 December	**10,532**	6,172
Cost	**25,155**	21,260
Accumulated amortisation	**(14,623)**	(15,088)
	10,532	6,172

18 Goodwill

	2006 HK$ millions	2005 HK$ millions
Cost		
At 1 January	**17,959**	10,577
Relating to subsidiaries acquired	**1,800**	10,425
Relating to increase in interests in subsidiaries	**–**	4,814
Relating to subsidiaries disposed of	**–**	(5,838)
Relating to partial disposal of subsidiaries	**–**	(169)
Exchange translation differences	**2,081**	(1,850)
At 31 December	**21,840**	17,959

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2005 - €645 million), Kruidvat of €600 million (2005 - €600 million), Merchant Retail Group of £140 million (2005 - £140 million) and Superdrug of £78 million (2005 - £78 million) and increased shareholdings in **3** Italia of €229 million (2005 - €229 million).

In accordance with the Group's accounting policy on asset impairment (See note 1(x)), the carrying values of goodwill were tested for impairment as at 31 December 2006 and 31 December 2005. Note 3(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated no impairment charge was necessary.

19 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2006	**1,625**	**1,954**	**3,579**
Additions	**–**	**1,863**	**1,863**
Relating to subsidiaries acquired	**18**	**907**	**925**
Transfer from fixed assets	**–**	**1,726**	**1,726**
Amortisation for the year	**–**	**(765)**	**(765)**
Write off for the year	**–**	**(27)**	**(27)**
Exchange translation differences	**192**	**89**	**281**
At 31 December 2006	**1,835**	**5,747**	**7,582**
Cost	**1,835**	**7,787**	**9,622**
Accumulated amortisation	**–**	**(2,040)**	**(2,040)**
	1,835	**5,747**	**7,582**

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2005	–	1,559	1,559
Additions	–	796	796
Relating to subsidiaries acquired	2,497	3,362	5,859
Relating to subsidiaries disposed of	(651)	(2,894)	(3,545)
Amortisation for the year	(30)	(656)	(686)
Exchange translation differences	(191)	(213)	(404)
At 31 December 2005	1,625	1,954	3,579
Cost	1,625	2,995	4,620
Accumulated amortisation	–	(1,041)	(1,041)
	1,625	1,954	3,579

The brand names as at 31 December 2006 primarily resulted from the acquisitions of Marionnaud and Merchant Retail Group in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long-term strategic development.

The carrying value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2006 and the results of the tests indicated no impairment charge was necessary as at 31 December 2006.

Other rights, which include operating and service content rights, are amortised over their finite useful lives.

20 Associated companies

	2006 HK$ millions	2005 HK$ millions
Unlisted shares	**8,095**	7,481
Listed shares, Hong Kong	**20,804**	20,806
Listed shares, outside Hong Kong	**10,341**	10,341
Share of undistributed post acquisition reserves	**26,948**	17,561
	66,188	56,189
Amounts due from associated companies	**8,766**	9,145
	74,954	65,334

The market value of the above listed investments at 31 December 2006 was HK$156,308 million (2005 – HK$117,222 million).

Particulars regarding the principal associated companies are set forth on page 186 to 191.

The aggregate amounts of revenues, results, assets and liabilities of the Group's associated companies are as follows:

	2006 HK$ millions	2005 HK$ millions
Revenues	**154,987**	124,717
Profit after tax	**31,587**	24,666
Non-current assets	**340,867**	301,297
Current assets	**58,105**	43,401
Total assets	**398,972**	344,698
Non-current liabilities	**180,607**	165,020
Current liabilities	**66,679**	50,233
Total liabilities	**247,286**	215,253

20 Associated companies (continued)

The Group's share of the revenues, expenses and results of associated companies are as follows:

	2006 HK$ millions	2005 HK$ millions
Revenues	**59,037**	37,957
Expenses	**(32,873)**	(20,339)
EBITDA [(a)]	**26,164**	17,618
Depreciation and amortisation	**(8,441)**	(5,516)
Change in fair value of investment properties	**760**	177
EBIT [(b)]	**18,483**	12,279
Interest and other finance costs	**(3,164)**	(2,333)
Current tax	**(2,629)**	(1,111)
Deferred tax	**(454)**	(746)
Minority interests	**(764)**	(22)
Profit after tax	**11,472**	8,067

(a) EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes changes in the fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and tax.

21 Interests in joint ventures

	2006 HK$ millions	2005 HK$ millions
Jointly controlled entities		
Unlisted shares	**22,514**	18,293
Share of undistributed post acquisition reserves	**(1,185)**	(2,797)
	21,329	15,496
Amounts due from jointly controlled entities	**17,178**	21,788
	38,507	37,284

There are no material contingent liabilities relating to the Group's interest in the joint ventures, save as for those disclosed in note 38.

Particulars regarding the principal jointly controlled entities are set forth on pages 186 to 191.

21 Interests in joint ventures (continued)

The aggregate amounts of revenues, results, assets and liabilities related to the Group's interest in its jointly controlled entities are as follows:

	2006 HK$ millions	2005 HK$ millions
Revenues	**54,533**	46,829
Profit after tax	**7,223**	9,248
Non-current assets	**105,045**	105,150
Current assets	**42,099**	39,503
Total assets	**147,144**	144,653
Non-current liabilities	**78,403**	81,065
Current liabilities	**34,370**	36,898
Total liabilities	**112,773**	117,963

The Group's share of the revenues, expenses, results and capital commitments of jointly controlled entities are as follows:

	2006 HK$ millions	2005 HK$ millions
Revenues	**24,815**	21,321
Expenses	**(19,366)**	(16,041)
EBITDA [(a)]	**5,449**	5,280
Depreciation and amortisation	**(901)**	(1,262)
Change in fair value of investment properties	**199**	1,363
EBIT [(b)]	**4,747**	5,381
Interest and other finance costs	**(581)**	(418)
Current tax	**(644)**	(497)
Deferred tax	**(447)**	(539)
Profit after tax	**3,075**	3,927
Capital commitments	**835**	1,088

(a) EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes changes in the fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and tax.

22 Deferred tax

	2006 HK$ millions	2005 HK$ millions
Deferred tax assets	**17,159**	15,635
Deferred tax liabilities	**15,019**	13,750
Net deferred tax assets	**2,140**	1,885

Movements in net deferred tax assets are as follows:

	2006 HK$ millions	2005 HK$ millions
At 1 January	**1,885**	617
Relating to subsidiaries acquired	**(163)**	(1,484)
Relating to subsidiaries disposed of	**2**	45
Transfer from (to) current tax	**67**	(745)
Net credit (charge) to reserves	**(144)**	62
Net credit (charge) for the year		
Unused tax losses	**(66)**	6,062
Accelerated depreciation allowances	**(222)**	(591)
Fair value adjustments arising from acquisitions	**183**	396
Revaluation of investment properties and other investments	**(473)**	(627)
Withholding tax on unremitted earnings	**(799)**	(471)
Other temporary differences	**(40)**	(231)
Exchange translation differences	**1,910**	(1,148)
At 31 December	**2,140**	1,885

Analysis of net deferred tax assets:

	2006 HK$ millions	2005 HK$ millions
Unused tax losses	**17,697**	15,783
Accelerated depreciation allowances	**(2,366)**	(1,998)
Fair value adjustments arising from acquisitions	**(5,871)**	(5,938)
Revaluation of investment properties and other investments	**(4,849)**	(4,311)
Withholding tax on unremitted earnings	**(2,221)**	(1,451)
Other temporary differences	**(250)**	(200)
	2,140	1,885

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 shown in the consolidated balance sheet are determined after appropriate offset.

At 31 December 2006, the Group has recognised deferred tax assets amounting to HK$17,159 million (2005 – HK$15,635 million) of which HK$16,680 million (2005 – HK$14,895 million) relates to the Group's 3G businesses.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

22 Deferred tax (continued)

The potential net deferred tax asset mainly arising from unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK$35,576 million at 31 December 2006 (2005 – HK$22,883 million).

The unrecognised tax losses carried forward amounted to HK$136,837 million at 31 December 2006 (2005 – HK$91,196 million), out of which HK$118,032 million (2005 – HK$74,822 million) is attributable to the start up 3G businesses. Unrecognised tax losses of HK$70,064 million (2005 – HK$42,953 million) can be carried forward indefinitely. The remaining HK$66,773 million (2005 – HK$48,243 million) expires in the following years:

	2006 **HK$ millions**	2005 HK$ millions
In the first year	**6,473**	157
In the second year	**13,322**	5,985
In the third year	**20,156**	11,950
In the fourth year	**18,818**	17,843
In the fifth to tenth years inclusive	**8,004**	12,308
	66,773	48,243

23 Other non-current assets

	2006 **HK$ millions**	2005 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**2,250**	2,197
Infrastructure project investments	**699**	754
	2,949	2,951
Available-for-sale investments		
Unlisted equity securities	**775**	1,383
Cash flow hedges		
Interest rate swaps	**38**	–
Forward foreign exchange contracts	**–**	92
	3,762	4,426

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2006 is 6.6% (2005 – 5.2%).

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

24 Liquid funds and other listed investments

	2006 HK$ millions	2005 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**43,773**	42,153
Listed debt securities	**5,324**	5,067
Listed equity securities, Hong Kong	**8,109**	5,260
Listed equity securities, outside Hong Kong	**4,216**	3,345
	61,422	55,825
Loans and receivables		
Long-term deposits	**3,771**	3,733
Financial assets at fair value through profit or loss	**1,058**	1,111
	66,251	60,669

Components of Managed funds, outside Hong Kong are as follows:

	2006 HK$ millions	2005 HK$ millions
Listed debt securities	**42,803**	40,696
Cash and cash equivalents	**970**	1,457
	43,773	42,153

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long-term deposits at 31 December 2006 was HK$62,480 million (2005 – HK$56,936 million).

Loans and receivables, represent long-term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long-term deposits as at 31 December 2006 was 5.7% (2005 – 4.9%).

24 Liquid funds and other listed investments (continued)

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2006			2005		
	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
HK dollars	13%	–	–	10%	–	–
US dollars	72%	97%	73%	78%	98%	–
Euro	8%	–	–	8%	–	–
Others	7%	3%	27%	4%	2%	100%
	100%	100%	100%	100%	100%	100%

Listed debt securities as at 31 December presented above are analysed as follows:

	2006	2005
	Percentage	Percentage
Credit ratings		
Aaa/AAA	83%	83%
Aa1/AA+	4%	4%
Aa2/AA	4%	5%
Aa3/AA-	7%	7%
A1/A+	1%	–
A3/A-	1%	1%
	100%	100%
Sectorial		
US Treasury notes	47%	48%
Government issued guaranteed notes	22%	23%
Supranational notes	17%	15%
Others	14%	14%
	100%	100%
Weighted average maturity	2.1 years	3.1 years
Weighted average effective interest rate, inclusive of the effects of hedging transactions	3.14%	3.03%

25 Cash and cash equivalents

	2006 HK$ millions	2005 HK$ millions
Cash at bank and in hand	**10,889**	15,706
Short term bank deposits	**53,262**	34,011
	64,151	49,717

The carrying amount of cash and cash equivalents approximates their fair value.

26 Trade and other receivables

	2006 HK$ millions	2005 HK$ millions
Trade receivables	**20,178**	14,818
Other receivables and prepayments	**24,010**	21,336
	44,188	36,154

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. The carrying amount of these assets approximates their fair value.

At 31 December, the ageing analysis of the trade receivables is as follows:

	2006 HK$ millions	2005 HK$ millions
Less than 31 days	**12,024**	10,338
Within 31 to 60 days	**2,533**	1,840
Within 61 to 90 days	**980**	678
Over 90 days	**4,641**	1,962
	20,178	14,818

The Group's 5 largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2006 and 2005.

27 Trade and other payables

	2006 HK$ millions	2005 HK$ millions
Trade payables	**21,023**	17,141
Other payables and accruals	**41,652**	33,586
Provisions (See note 28)	**1,351**	1,868
Interest free loans from minority shareholders	**2,318**	3,159
Fair value hedges		
Interest rate swaps	**61**	–
Cash flow hedges		
Cross currency interest rate swap	**–**	231
Forward foreign exchange contracts	**82**	32
	66,487	56,017

At 31 December, the ageing analysis of the trade payables is as follows:

	2006 HK$ millions	2005 HK$ millions
Less than 31 days	**12,557**	11,009
Within 31 to 60 days	**3,980**	2,550
Within 61 to 90 days	**1,966**	3,033
Over 90 days	**2,520**	549
	21,023	17,141

The Group's 5 largest suppliers accounted for less than 20% of the Group's cost of purchases for the year ended 31 December 2006 (2005 – less than 15%).

28 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2006	1,172	529	696	2,397
Additions	462	166	166	794
Interest accretion	–	24	–	24
Utilisations	(405)	(2)	(432)	(839)
Write back	(384)	–	–	(384)
Disposal	–	(94)	–	(94)
Relating to subsidiaries acquired	–	10	–	10
Exchange translation differences	65	(18)	11	58
At 31 December 2006	910	615	441	1,966

Provisions analysed as:

	2006 HK$ millions	2005 HK$ millions
Current portion (See note 27)	1,351	1,868
Long-term portion (See note 32)	615	529
	1,966	2,397

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures.

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

29 Bank and other debts

	2006 HK$ millions	2005 HK$ millions
Bank loans		
Repayable within 5 years	**130,172**	89,003
Not wholly repayable within 5 years	**826**	33,578
	130,998	122,581
Other loans		
Repayable within 5 years	**10,185**	289
Not wholly repayable within 5 years	**109**	7,818
	10,294	8,107
Notes and bonds		
US$750 million notes-Series A, 6.95% due 2007	**5,789**	5,736
US$500 million notes-Series B, 7.45% due 2017	**3,700**	3,715
US$500 million notes-Series C, 7.5% due 2027	**3,700**	3,715
US$250 million notes-Series D, 6.988% due 2037	**1,924**	1,921
US$175 million notes, LIBOR + 0.45% due 2008	**1,362**	1,361
US$1,500 million notes, 7% due 2011	**11,316**	11,308
US$3,500 million notes, 6.5% due 2013	**25,996**	26,187
US$1,500 million notes, 5.45% due 2010	**11,276**	11,296
US$2,000 million notes, 6.25% due 2014	**15,024**	15,201
US$1,500 million notes, 7.45% due 2033	**11,218**	11,342
EUR500 million bonds, 5.5% due 2006	**–**	4,614
EUR96 million bonds, 2.5% due 2008	**989**	854
EUR1,000 million notes, 5.875% due 2013	**10,200**	9,140
EUR655 million notes, 4.125% due 2015	**6,680**	9,142
EUR1,000 million notes, 4.625% due 2016	**10,199**	–
GBP325 million bonds, 6.75% due 2015	**4,921**	4,340
GBP300 million bonds, 5.625% due 2017	**4,543**	–
GBP400 million bonds, 5.625% due 2026	**6,047**	–
AUD425 million notes, 6.5% due 2006	**–**	2,404
AUD800 million notes, BBSW + 0.65% due 2008	**4,893**	4,523
JPY30,000 million notes, 3.5% due 2032	**1,971**	1,995
	141,748	128,794
	283,040	259,482

Borrowings analysed as:

	2006 HK$ millions	2005 HK$ millions
Current portion	**22,070**	26,028
Long-term portion	**260,970**	233,454
	283,040	259,482

29 Bank and other debts (continued)

Borrowings are repayable as follows:

	2006 HK$ millions	2005 HK$ millions
Bank loans		
Current portion	**16,145**	18,828
After 1 year, but within 2 years	**19,464**	7,544
After 2 years, but within 5 years	**94,608**	81,456
After 5 years	**781**	14,753
Other loans		
Current portion	**136**	182
After 1 year, but within 2 years	**885**	103
After 2 years, but within 5 years	**9,166**	5,250
After 5 years	**107**	2,572
Notes and bonds		
Current portion	**5,789**	7,018
After 1 year, but within 2 years	**7,244**	5,736
After 2 years, but within 5 years	**22,592**	18,034
After 5 years	**106,123**	98,006
	283,040	259,482

The bank and other loans of the Group are secured to the extent of HK$30,385 million (2005 – HK$36,967 million) of which HK$15,646 million (2005 – HK$15,653 million) and HK$13,657 million (2005 – HK$20,047 million) are non-guaranteed and guaranteed loans respectively for 3G businesses.

The US$250 million notes-Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

Borrowings amounting to HK$146,340 million (2005 – HK$135,659 million) bear interest at floating interest rates and borrowings amounting to HK$136,700 million (2005 – HK$123,823 million) bear interest at fixed interest rates.

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 to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2006, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$89,700 million (2005 – HK$96,706 million).

In addition, interest rate swap agreements with notional amount of HK$8,650 million (2005 – HK$7,838 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. The agreements have fixed interest payments ranging from 3.7% to 6.8% and were entered for a period ranging from 4 to 5 years.

As at 31 December 2006, the Group had entered into currency swap arrangements with banks to swap US dollar borrowings principal amount of HK$1,365 million (2005 – HK$1,365 million) to non-US dollar borrowings to match currency exposure of the underlying businesses.

29 Bank and other debts (continued)

The following table sets out the effective interest rates of the borrowings at the balance sheet date and the periods in which they reprice or mature, whichever is earlier (inclusive of the effects of hedging transactions):

	Weighted average effective interest rate	Less than 1 month	Within 1 to 12 months	Within 1 to 5 years	Over 5 years	Total
	%	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
2006						
Bank loans	**4.9%**	**47,057**	**79,551**	**864**	**3,526**	**130,998**
Other loans	**6.1%**	**5,233**	**4,489**	**552**	**20**	**10,294**
Notes and bonds	**7.1%**	**–**	**85,744**	**2,120**	**53,884**	**141,748**
		52,290	**169,784**	**3,536**	**57,430**	**283,040**
2005						
Bank loans	4.1%	38,162	80,917	97	3,405	122,581
Other loans	6.3%	–	7,504	87	516	8,107
Notes and bonds	6.3%	15,201	84,276	2,750	26,567	128,794
		53,363	172,697	2,934	30,488	259,482

The carrying amounts and fair values of the borrowings are as follows:

	Carrying amounts		Fair values	
	2006	2005	**2006**	2005
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**130,998**	122,581	**131,003**	122,538
Other loans	**10,294**	8,107	**10,449**	8,092
Notes and bonds	**141,748**	128,794	**151,891**	140,837
	283,040	259,482	**293,343**	271,467

The fair values of the long-term borrowings are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The carrying amounts of current portion of the long-term borrowings approximate their fair value.

Borrowings are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2006	2005
	Percentage	Percentage
HK dollars	**14%**	16%
US dollars	**33%**	35%
Euro	**31%**	32%
British Pounds	**8%**	3%
Other currencies	**14%**	14%
	100%	100%

30 Interest bearing loans from minority shareholders

	2006 HK$ millions	2005 HK$ millions
Interest bearing loans from minority shareholders	**12,030**	5,429

The following table sets out the effective interest rates of the interest bearing loans from minority shareholders at the balance sheet date and the periods in which they reprice or mature, whichever is earlier:

	Weighted average effective interest rate %	Less than 1 month HK$ millions	Within 1 to 12 months HK$ millions	Within 1 to 5 years HK$ millions	Over 5 years HK$ millions	Total HK$ millions
2006	**6.40%**	**28**	**7,351**	**4,155**	**496**	**12,030**
2005	5.30%	–	4,849	–	580	5,429

The carrying amounts and fair values of the borrowings are as follows:

	Carrying amounts		Fair values	
	2006 HK$ millions	2005 HK$ millions	2006 HK$ millions	2005 HK$ millions
Interest bearing loans from minority shareholders	**12,030**	5,429	**12,030**	5,429

31 Pension obligations

	2006 HK$ millions	2005 HK$ millions
Defined benefit plans		
Plan obligations	**2,378**	2,323

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.

(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. No other post-retirement benefits are provided.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2006 and 31 December 2005 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2006	2005
Discount rate applied to defined benefit plan obligations	**3.75% - 5.00%**	4.00% - 9.00%
Expected return on plan assets	**3.40% - 8.00%**	4.00% - 9.00%
Future salary increases	**2.00% - 4.00%**	2.00% - 5.00%
Interest credited on two principal plans in Hong Kong	**5.00% - 6.00%**	5.00% - 6.00%

The expected return on plan assets is based on market expectations for returns and long-term benchmark allocation of equities and bonds in each plan and allowing for administration fees and other expenses charged to the plans.

The amount recognised in the consolidated balance sheet is determined as follows:

	2006 HK$ millions	2005 HK$ millions
Present value of defined benefit obligations	**12,659**	10,545
Fair value of plan assets	**10,228**	8,222
	2,431	2,323
Unrecognised past services costs	**(53)**	–
Net defined benefit plan obligations	**2,378**	2,323

Fair value of plan assets of HK$10,228 million (2005 – HK$8,222 million) includes investments in the Company's shares with a fair value of HK$51 million (2005 – HK$51 million).

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2006 HK$ millions	2005 HK$ millions
At 1 January	**10,545**	10,401
Current service cost net of employee contributions	**640**	571
Actual employee contributions	**118**	112
Interest cost	**516**	464
Past service cost	**–**	29
Actuarial loss on obligation	**18**	590
Gains on curtailments	**(20)**	(48)
Relating to subsidiaries acquired	**–**	211
Relating to subsidiaries disposed of	**–**	(206)
Benefits paid on settlements	**–**	(120)
Actual benefits paid	**(498)**	(418)
Exchange differences	**1,340**	(1,041)
At 31 December	**12,659**	10,545

Changes in the fair value of the plan assets are as follows:

	2006 HK$ millions	2005 HK$ millions
At 1 January	**8,222**	7,977
Expected return on plan assets	**571**	522
Actuarial gains on plan assets	**463**	463
Actual company contributions	**566**	509
Actual employee contributions	**118**	112
Relating to subsidiaries acquired	**–**	135
Relating to subsidiaries disposed of	**–**	(194)
Assets distributed on settlements	**–**	(120)
Actual benefits paid	**(498)**	(418)
Exchange differences	**786**	(764)
At 31 December	**10,228**	8,222

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated profit and loss account is as follows:

	2006 HK$ millions	2005 HK$ millions
Current service cost	**640**	571
Past service cost	**(53)**	29
Interest cost	**516**	464
Gains on curtailment	**(20)**	(48)
Expected return on plan assets	**(571)**	(522)
Total expense	**512**	494
Less: expense capitalised	**(3)**	(15)
Total, included in staff costs	**509**	479

The actuarial gains recognised in the statement of recognised income and expense in current year was HK$445 million (2005 – loss of HK$127 million). The cumulative actuarial losses recognised in the statement of recognised income and expense amounted to HK$908 million (2005 – HK$1,393 million).

Fair value of the plan assets are analysed as follows:

	2006 Percentage	2005 Percentage
Equity instruments	**57%**	63%
Debt instruments	**38%**	33%
Other assets	**5%**	4%
	100%	100%

The experience adjustments are as follows:

	2006 HK$ millions	2005 HK$ millions	2004 HK$ millions
Present value of defined benefit obligations	**12,659**	10,545	10,401
Fair value of plan assets	**10,228**	8,222	7,977
Deficit	**2,431**	2,323	2,424
Experience adjustments on defined benefit obligations	**(18)**	(308)	(69)
Experience adjustments on plan assets	**561**	429	51

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

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 2006. 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 30 June 2006 reported a funding level of 108% of the accrued actuarial liabilities on an ongoing basis. 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 30 June 2009 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 2006 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$31 million (2005 – HK$40 million) were used to reduce the current year's level of contributions and HK$4 million was available at 31 December 2006 (2005 – HK$3 million) to reduce future years' contributions.

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 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 pension plan for part of 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.

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

The Group's defined benefit retirement plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2005. The plan is final salary in nature with a money purchase underpin arrangement. The scheme is not open to new entrants since 1 April 2001. The latest formal valuation of the scheme was undertaken at 31 December 2005 by Ian W H Pope, a Fellow of the Faculty of Actuaries, of Kerr & Co. using the projected unit method. The principal long-term assumptions were that the annual rate of return on investments would exceed the annual increase in earnings by 1.3% and the annual increase in pension would be 3%.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$529 million (2005 – HK$683 million). Forfeited contributions totalling HK$6 million (2005 – HK$7 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2006 (2005 – nil) to reduce future years' contributions.

32 Other non-current liabilities

	2006 HK$ millions	2005 HK$ millions
Fair value hedges		
Interest rate swaps	**3,257**	2,801
Cash flow hedges		
Interest rate swaps	**–**	10
Cross currency interest rate swap	**200**	–
Forward foreign exchange contracts	**178**	–
Obligations for telecommunications licences and other rights	**2,118**	1,014
Provisions (See note 28)	**615**	529
	6,368	4,354

33 Share capital

	2006 Number of shares	2005 Number of shares	**2006 HK$ millions**	2005 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

34 Equity

	Share capital	Share premium[(a)]	Exchange reserve	Other reserves[(b)]	Retained profit	Total shareholders' funds	Minority interests	Total equity
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2006	1,066	28,359	7,118	1,405	205,606	243,554	10,075	253,629
Fair value changes in available-for-sale investments	–	–	–	3,304	–	3,304	105	3,409
Fair value adjustment upon transfer from other properties to investment properties	–	–	–	37	–	37	7	44
Valuation released upon disposal of available-for-sale investments	–	–	–	(671)	–	(671)	6	(665)
Loss on cash flow hedges	–	–	–	(123)	–	(123)	(26)	(149)
Exchange translation differences	–	–	15,416	–	–	15,416	278	15,694
Actuarial gains and losses of defined benefit plans	–	–	–	–	606	606	30	636
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	(126)	(126)	–	(126)
Net income recognised directly in equity	–	–	15,416	2,547	480	18,443	400	18,843
Profit after tax	–	–	–	–	20,030	20,030	2,596	22,626
Total recognised income and expense	–	–	15,416	2,547	20,510	38,473	2,996	41,469
Dividends paid relating to 2005	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2006	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(3,359)	(3,359)
Equity contribution from minority interests	–	–	–	–	–	–	1,653	1,653
Capitalisation of loan from minority interests	–	–	–	–	–	–	1,126	1,126
Share option scheme	–	–	–	20	–	20	8	28
Share option lapsed	–	–	–	(6)	6	–	–	–
Share of associated company's partial redemption of convertible notes	–	–	–	(35)	12	(23)	–	(23)
Unclaimed dividends write back	–	–	–	–	35	35	–	35
Relating to subsidiary companies acquired	–	–	–	–	–	–	735	735
Relating to partial disposal of subsidiary companies	–	–	(733)	(124)	(33)	(890)	3,537	2,647
At 31 December 2006	1,066	28,359	21,801	3,807	218,761	273,794	16,771	290,565

34 Equity (continued)

	Share capital HK$ millions	Share premium[a] HK$ millions	Exchange reserve HK$ millions	Other reserves[b] HK$ millions	Retained profit HK$ millions	Total shareholders' funds HK$ millions	Minority interests HK$ millions	Total equity HK$ millions
At 1 January 2005	1,066	28,359	21,022	1,249	198,829	250,525	28,394	278,919
Fair value changes in available-for-sale investments	–	–	–	(116)	–	(116)	(1)	(117)
Fair value changes arising from business combination	–	–	–	786	–	786	447	1,233
Fair value adjustment upon transfer from other properties to investment properties	–	–	–	186	–	186	2	188
Deferred tax effect on fair value adjustment upon transfer from other properties to investment properties	–	–	–	(31)	–	(31)	–	(31)
Valuation released upon disposal of available-for-sale investments	–	–	–	(847)	–	(847)	2	(845)
Gain on cash flow hedges	–	–	–	305	–	305	52	357
Exchange translation differences	–	–	(13,904)	–	–	(13,904)	(1,511)	(15,415)
Actuarial gains and losses of defined benefit plans	–	–	–	–	(284)	(284)	1	(283)
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	93	93	–	93
Net income (expense) recognised directly in equity	–	–	(13,904)	283	(191)	(13,812)	(1,008)	(14,820)
Profit (loss) after tax	–	–	–	–	14,343	14,343	(789)	13,554
Total recognised income and expense	–	–	(13,904)	283	14,152	531	(1,797)	(1,266)
Dividends paid relating to 2004	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2005	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(2,374)	(2,374)
Equity contribution from minority interests	–	–	–	–	–	–	749	749
Shares issued by a subsidiary to acquire minority interests	–	–	–	–	–	–	1,919	1,919
Capitalisation of loan from minority interests	–	–	–	–	–	–	1,138	1,138
Purchase of minority interests in subsidiary companies	–	–	–	–	–	–	(11,348)	(11,348)
Share option scheme	–	–	–	89	–	89	61	150
Relating to subsidiary companies acquired	–	–	–	–	–	–	2,436	2,436
Relating to disposal of subsidiary companies and associated companies	–	–	–	(216)	–	(216)	(9,103)	(9,319)
At 31 December 2005	1,066	28,359	7,118	1,405	205,606	243,554	10,075	253,629

(a) Capital redemption reserve of HK$404 million was included in share premium in all reporting years.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2006, revaluation reserve surplus amounted to HK$3,787 million (1 January 2006 – HK$1,291 million and 1 January 2005 – HK$1,534 million), hedging reserve deficit amounted to HK$163 million (1 January 2006 – HK$40 million and 1 January 2005 – HK$374 million) and other capital reserves surplus amounted to HK$183 million (1 January 2006 – HK$154 million and 1 January 2005 – HK$89 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cashflow hedges are included in the hedging reserve.

(c) The Group's share of exchange reserve of associated companies and jointly controlled entities are gains of HK$35 million (2005 – HK$252 million) and HK$588 million (2005 – HK$120 million) respectively. The Group's share of actuarial gains and losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to gains of HK$156 million (2005 – loss of HK$166 million) and HK$13 million (2005 – HK$10 million) respectively.

35 Notes to consolidated cash flow statement

(a) Reconciliation of profit after tax to cash generated from operating activities before interest and other finance costs, tax paid, telecommunications expensed prepaid CACs[a] and changes in working capital

	2006 HK$ millions	2005 HK$ millions
Profit after tax	**22,626**	13,554
Adjustments for:		
Current tax charge	**1,560**	2,511
Deferred tax charge (credit)	**1,417**	(4,538)
Interest and other finance costs	**16,601**	15,405
Change in fair value of investment properties	**(2,843)**	(3,685)
Depreciation and amortisation	**33,091**	35,727
Non-cash items included in profit on disposal of investments and others	**1,841**	(8,518)
Share of associated companies' and jointly controlled entities'		
Minority interests	**764**	22
Current tax charge	**3,273**	1,608
Deferred tax charge	**901**	1,285
Interest and other finance costs	**3,745**	2,751
Change in fair value of investment properties	**(959)**	(1,540)
Depreciation and amortisation	**9,342**	6,778
EBITDA[b]	**91,359**	61,360
Telecommunications expensed prepaid CACs	**5,494**	11,954
EBITDA before telecommunications expensed prepaid CACs	**96,853**	73,314
Share of EBITDA of associated companies and jointly controlled entities	**(31,613)**	(22,898)
Profit on disposal of unlisted investments	**(121)**	(11)
Profit on disposal of fixed assets, leasehold land and investment properties	**(605)**	(144)
Dividends received from associated companies and jointly controlled entities	**6,554**	4,705
Distribution from property jointly controlled entities	**1,875**	4,479
Decrease in properties under development	**–**	18
Profit on disposal of subsidiary and associated companies and jointly controlled entities	**(24,873)**	(17,182)
Other non-cash items	**1,026**	418
	49,096	42,699

a CACs represents customer acquisition costs.

b EBITDA, included as a subtotal as supplementary information, represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others 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.

35 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

	2006 HK$ millions	2005 HK$ millions
Decrease (increase) in inventories	505	(2,808)
Decrease (increase) in debtors and prepayments	(5,944)	722
Increase (decrease) in creditors	6,148	(1,879)
Other non-cash items	311	(3,443)
	1,020	(7,408)

(c) Purchase of subsidiary companies

	2006 Book value HK$ millions	2006 Fair value HK$ millions	2005 Fair value HK$ millions
Aggregate net assets acquired at acquisition date (excluding cash and cash equivalents):			
Fixed assets	1,123	1,320	7,412
Investment properties	23	23	2,574
Leasehold land	46	2,164	37
Telecommunications licences	–	–	2,402
Brand names and other rights	223	925	5,859
Associated companies	29	31	273
Liquid funds and other listed investments	–	–	1
Inventories	352	364	2,960
Trade and other receivables	465	521	5,112
Bank and other debts	(1,350)	(1,356)	(10,718)
Pension obligations	–	–	(76)
Creditors and current tax liabilities	(1,073)	(1,091)	(9,049)
Deferred tax	(73)	(163)	(1,484)
Loans from minority shareholders	(45)	(45)	(3)
Minority interests	(730)	(735)	(2,436)
	(1,010)	1,958	2,864
Goodwill arising on acquisition		1,800	10,425
		3,758	13,289
Less: Cost of investments just prior to purchase		(119)	(4,405)
Excess of the Group's interest in the net fair value over acquisition cost		–	(47)
		3,639	8,837
Discharged by:			
Cash payment		4,413	9,459
Less: Cash and cash equivalents purchased		(654)	(829)
Total net cash consideration		3,759	8,630
Deferred consideration		(120)	207
Total consideration		3,639	8,837

35 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

Included in the net assets acquired in 2006 above are acquisitions of the remaining 50% shareholding in Euromax, a joint venture which is adjacent to the Group's container terminal at Rotterdam and Servico Material Portuario, S.A., which operates a container terminal in Barcelona by its subsidiary, Terminal Catalunya S.A.. The contribution to the Group's revenue and profit after tax from each of these subsidiaries acquired since the respective date of acquisition is not material.

Included in the net assets acquired in 2005 above were acquisitions of Partner Communications Company Limited and Marionnaud.

(d) Disposal of subsidiary companies

	2006 HK$ millions	2005 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**673**	26,126
Investment properties	**–**	23
Leasehold land	**48**	16
Telecommunications licences	**–**	4,682
Telecommunications postpaid customer acquisition costs	**–**	261
Brand names and other rights	**–**	3,545
Associated companies	**–**	2
Liquid funds and other listed investments	**–**	416
Inventories	**31**	695
Trade and other receivables	**57**	11,702
Bank and other debts	**–**	(26,693)
Pension obligations	**–**	(12)
Creditors and current tax liabilities	**(58)**	(10,809)
Other non-current liabilities	**–**	(1,184)
Deferred tax	**(2)**	(45)
Loans from minority shareholders	**(2)**	(312)
Minority interests	**(320)**	(7,010)
Reserves	**(4)**	(55)
Goodwill	**–**	5,838
	423	7,186
Profit on disposal	**127**	7,390
	550	14,576
Less: Investments retained subsequent to disposal	**–**	(6,826)
	550	7,750
Satisfied by:		
Cash and cash equivalents received as consideration	**1,020**	10,192
Less: Cash and cash equivalents sold	**(470)**	(2,442)
Total net cash consideration	**550**	7,750

35 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies (continued)

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2006.

Included in the net assets disposed in 2005 above was the effect of a partial disposal of the Group's interest in HTIL that resulted in HTIL ceasing to be a subsidiary and becoming an associated company of the Group. On 21 December 2005, the Group disposed of a 19.3% interest in HTIL to an independent party and upon completion, the Group's interest in HTIL was reduced from 69.1% to 49.8%.

(e) Partial disposal of subsidiary companies

Proceeds on partial disposal of subsidiary companies in 2006 mainly represent sales proceeds of US$4,388 million arising from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments.

(f) Disposal of associated companies

Net proceeds from disposal of:

	2006 HK$ millions	2005 HK$ millions
ETSA Utilities and CHEDHA Holdings Pty Limited	–	12,013
Others	–	35
	–	12,048

The effect on the Group's results from the disposal of associated companies was immaterial for the year ended 31 December 2005.

36 Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

37 Pledge of assets

At 31 December 2006, the Group's shares in H3G S.p.A. and its respective assets were pledged as security for project financing facilities of **3** Italia S.p.A. and amounted to HK$81,007 million (2005 – HK$66,845 million) as at 31 December 2006. In January 2007, this project financing loan was repaid in full from the proceeds of a syndicated loan and subsequently the shares and assets are no longer pledged. In addition, HK$10,781 million (2005 – HK$8,554 million) of assets were pledged as security for bank and other loans of the Group. Included in the above amount of assets pledged, HK$31,729 million (2005 – HK$29,477 million) relates to the pledge of fixed assets and HK$3,087 million (2005 – HK$1,766 million) relates to the pledge of inventories.

38 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:

	2006 HK$ millions	2005 HK$ millions
To associated companies		
Telecommunications businesses	**8,141**	6,373
To jointly controlled entities		
Property businesses	**3,213**	5,232
Other businesses	**1,968**	3,520
	5,181	8,752

At 31 December 2006 the Group had provided performance and other guarantees of HK$5,681 million (2005 – HK$6,165 million) primarily for telecommunications businesses.

39 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2006 are as follows:

Capital commitments

1. Contracted for:
   - i. Container terminals, Hong Kong – nil (2005 – HK$349 million)
   - ii. Container terminals, Mainland China – HK$4,412 million (2005 – HK$6,614 million)
   - iii. Container terminals, others – HK$1,771 million (2005 – HK$2,707 million)
   - iv. Telecommunications, **3** Group – HK$4,984 million (2005 – HK$7,546 million)
   - v. Investment properties outside Hong Kong – nil (2005 – HK$20 million)
   - vi. Investment in Joint Venture outside Hong Kong – HK$13 million (2005 – HK$1,328 million)
   - vii. Other fixed assets – HK$43 million (2005 – HK$356 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$219 million (2005 – HK$2,154 million)
   - ii. Container terminals, Mainland China – HK$1,997 million (2005 – HK$6,454 million)
   - iii. Container terminals, others – HK$8,145 million (2005 – HK$17,623 million)
   - iv. Telecommunications, **3** Group – HK$10,609 million (2005 – HK$14,462 million)
   - v. Investment properties outside Hong Kong – HK$1,025 million (2005 – HK$1,288 million)
   - vi. Investment in Joint Venture outside Hong Kong – HK$278 million (2005 – HK$146 million)
   - vii. Other fixed assets – HK$2,852 million (2005 – HK$4,225 million)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

Established Businesses

1. In the first year – HK$6,622 million (2005 – HK$6,172 million)
2. In the second to fifth years inclusive – HK$19,494 million (2005 – HK$16,154 million)
3. After the fifth year – HK$43,096 million (2005 – HK$31,485 million)

Telecommunications – **3** Group

1. In the first year – HK$2,008 million (2005 – HK$1,537 million)
2. In the second to fifth years inclusive – HK$5,805 million (2005 – HK$4,661 million)
3. After the fifth year – HK$11,086 million (2005 – HK$9,242 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

Established Businesses

1. In the first year – HK$182 million (2005 – HK$341 million)
2. In the second to fifth years inclusive – HK$320 million (2005 – HK$557 million)
3. After the fifth year – HK$203 million (2005 – HK$266 million)

Telecommunications – **3** Group

1. In the first year – HK$33 million (2005 – HK$31 million)
2. In the second to fifth years inclusive – HK$91 million (2005 – HK$69 million)
3. After the fifth year – HK$101 million (2005 – HK$42 million)

Other commitments

3G handsets – HK$2,794 million (2005 – HK$23,485 million)

40 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 20 and 21 are unsecured. Balances totalling HK$2,145 million (2005 – HK$5,705 million) are interest bearing.

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 2006, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$21,674 million (2005 – HK$20,694 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$3,213 million (2005 – HK$5,232 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 9.

41 Legal proceedings

As at 31 December 2006, 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.

42 Subsequent events

Subsequent to the year end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million.

43 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2006, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into United States dollars at this or any other rate.

44 Approval of accounts

The accounts set out on page 115 to 191 were approved by the Board of Directors on 22 March 2007.

45 Profit before tax

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, profit before tax is shown after crediting and charging the following items:

	2006 HK$ millions	2005 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	9,004	7,032
Unlisted	2,468	1,035
	11,472	8,067
Share of gross rental income of associated companies and jointly controlled entities	591	672
Gross rental income from investment properties held by:		
Listed subsidiary – Hutchison Harbour Ring Limited	243	64
Other subsidiaries (excluding Hutchison Harbour Ring Limited)	2,216	1,856
Less: intra group rental income	(269)	(246)
	2,190	1,674
Less: related outgoings	(106)	(67)
Net rental income of subsidiary companies	2,084	1,607
Dividend and interest income from managed funds and other investments		
Listed	1,984	2,141
Unlisted	200	166
Charges:		
Depreciation and amortisation		
Fixed assets	13,883	16,057
Telecommunications licences	5,766	5,989
Telecommunications postpaid customer acquisition costs	11,721	12,013
Leasehold land	956	982
Brand names and other rights	765	686
	33,091	35,727
Inventories write off	1,596	2,825
Operating leases		
Properties	10,363	9,796
Hire of plant and machinery	288	553
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	184	176
– other auditors	20	45
Non-audit work – PricewaterhouseCoopers	25	22
– other auditors	45	57

46 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the balance sheet of the Company as at 31 December 2006 is set out as follows:

	2006 **HK$ millions**	2005 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	**18,668**	728
Current assets		
Cash at bank	**5**	–
Amounts due from subsidiary companies	**62,390**	57,647
Dividends and other receivables from subsidiary companies	**7,500**	30,027
	69,895	87,674
Current liabilities		
Bank overdrafts	**–**	2
Other payables and accruals	**137**	106
	137	108
Net current assets	**69,758**	87,566
Net assets	**88,426**	88,294
Capital and reserves		
Share capital (See note 33)	**1,066**	1,066
Reserves [(b)]	**87,360**	87,228
Shareholders' funds	**88,426**	88,294

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

46 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on page 186 to 191.

(b) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2005	28,359	36,357	64,716
Profit for the year	–	29,887	29,887
Dividends paid relating to 2004	–	(5,201)	(5,201)
Dividends paid relating to 2005	–	(2,174)	(2,174)
At 31 December 2005	**28,359**	**58,869**	**87,228**
Profit for the year	**–**	**7,472**	**7,472**
Unclaimed dividend write back	**–**	**35**	**35**
Dividends paid relating to 2005	**–**	**(5,201)**	**(5,201)**
Dividends paid relating to 2006	**–**	**(2,174)**	**(2,174)**
At 31 December 2006	**28,359**	**59,001**	**87,360**

(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 Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated borrowings included in note 29 totalling HK$283,040 million (2005 - HK$259,482 million), the Company has guaranteed a total of HK$230,229 million (2005 - HK$215,761 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 associated companies and jointly controlled entities totalling HK$8,718 million (2005 - HK$9,682 million). This amount has been included in the Group's contingent liabilities disclosed in note 38.

(f) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$7,472 million (2005 - HK$29,887 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.

(g) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2006 amounting to HK$59,001 million (2005 - HK$58,869 million).

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2006

	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					
#	Alexandria International Container Terminals Company S.A.E.	Egypt	US$	27,500,000	30	Container terminal operating
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	US$	25,400	80	Holding company & mid-stream container operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	10,000,000	80	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HK$	40	27	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
	Europe Container Terminals B. V.	Netherlands	Euro	45,380,000	78	Container terminal operating
+	Freeport Container Port Limited	Bahamas	B$	2,000	48	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	79	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HK$	20	53	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company Limited	Hong Kong	HK$	20,000,000	40	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HK$	76,000,000	40	Ship repairing & general engineering
✡ ⌘ +	Huizhou Port Industrial Corporation Limited	China	RMB	300,000,000	27	Container terminal operating
	Hutchison Atlantic Limited	British Virgin Islands	US$	10,000	80	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	US$	2	80	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	US$	26,000,000	80	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	80	Finance
	Hutchison Ports Investments S.à r.l.	Luxembourg	Euro	12,500	80	Holding company
	Hutchison Westport Investments Limited	British Virgin Islands	US$	2	80	Holding company
	IIHC Limited	Cayman Islands	US$	74,870,807	80	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR	2,000,000	41	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	US$	14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR	1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	50,000,000	80	Container terminal operating
	Laemchabang International Ro-Ro Terminal Limited	Thailand	THB	50,000,000	64	Ro-Ro Terminal operation
✡ ⌘	Nanhai International Container Terminals Limited	China	US$	42,800,000	40	Container terminal operating
✡ ⌘	Ningbo Beilun International Container Terminals Limited	China	RMB	700,000,000	39	Container terminal operating
+	Oman International Container Terminals L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S. A.	Panama	US$	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating

	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)					
+	PT Ocean Terminal Petikemas	Indonesia	IDR	130,000,000,000	80	Container terminal operating
+	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,500	41	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	US$	1	40	River trade terminal operation
✡ ⌘	Shanghai Container Terminals Limited	China	RMB	2,000,000,000	30	Container terminal operating
✡ ⌘ +	Shanghai Mingdong Container Terminals Limited	China	RMB	4,000,000,000	40	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	US$	88,000,000	56	Container terminal operating
⚐	Shenzhen Hutchison Inland Container Depots Co., Ltd.	China	HK$	92,000,000	57	Inland container depots services
	SupplyLINE Logistics Limited	Hong Kong	HK$	10,000	41	Logistics services
	Talleres Navales de Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	76	Marine construction and ship repair yard
	Terminal Catalunya, S.A.	Spain	Euro	2,342,800	56	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	70	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	56	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP	2	80	Container terminal operating
+ #	Westport Holdings Sdn. Bhd.	Malaysia	M$	117,000,000	25	Container terminal operating
✡ ⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	39	Container terminal operating
⌘	Yantian International Container Terminals Limited	China	HK$	2,400,000,000	38	Container terminal operating
⌘	Yantian International Container Terminals (Phase III) Limited	China	HK$	6,056,960,000	34	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Gaolan) Limited	China	US$	105,750,000	40	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Jiuzhou) Limited	China	US$	52,000,000	40	Container terminal operating
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HK$	2	100	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
	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 Enterprises (Chongqing) Limited	China	RMB	470,000,000	50	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 Whampoa Properties Limited	Hong Kong	HK$	2	100	Holding company
✡ ⚐ +	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	US$	27,193,000	50	Property developing & investment
✡ ✝ +	Hutchison Whampoa Properties (Changchun) Limited	China	US$	34,870,000	50	Property developing
✡ ✝ +	Hutchison Whampoa Properties (Changsha Wangcheng) Limited	China	RMB	149,000,000	50	Property developing

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2006

	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	1,050,000,000	50	Property developing & investment
✡ ⌘ +	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB	230,000,000	48	Property developing & investment
✡ ⌖ +	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB	250,000,000	50	Property developing
✡ ⚐ +	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB	190,000,000	50	Property developing & investment
✡ ⚐ +	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB	600,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HK$	20	100	Property management & related services
# ⌖ +	Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	US$	240,000,000	25	Property developing & investment
✡ ⌖	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	US$	48,550,000	50	Property developing & investment
✡ ⌖ +	Hutchison Whampoa Properties (Shenzhen) Company Limited	China	US$	54,000,000	50	Property developing & investment
✡ ⚐	Hutchison Whampoa Properties (Tianjin) Limited	China	US$	47,500,000	40	Property developing & investment
✡ ⌖ +	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	US$	34,900,000	50	Property developing & investment
✡ ⌖ +	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	US$	59,300,000	50	Property developing
✡ ⌖	Hutchison Whampoa Properties (Xian) Limited	China	US$	59,600,000	50	Property developing
✡ ⌖	Hutchison Whampoa Properties (Zhuhai) Limited	China	US$	15,000,000	50	Property developing & investment
	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
	Matrica Limited	Hong Kong	HK$	20	70	Property owning and hotel operation
	Mossburn Investments Limited	Hong Kong	HK$	1,000	100	Property owning
	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
✡ ⚐	Regal Lake Property Development Limited Guang Zhou	China	RMB	1,040,640,000	40	Property developing
	Rhine Office Investments Limited	Hong Kong	HK$	2	100	Property owning
✡ ⌖	Shanghai Helian Property Development Company Limited	China	US$	74,700,000	50	Property developing
✡ ⚐	Shanghai Westgate Mall Company Limited	China	US$	40,000,000	30	Property owning
✡ ⚐	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB	620,000,000	40	Property developing & investment
✡ ⌖	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB	250,000,000	50	Property developing
✡ ⌖	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB	232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	US$	5	50	Investment in hotel
	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

	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					
	A.S. Watson & Company, Limited	Hong Kong	HK$	109,550,965	100	Holding company
	A.S. Watson (Europe) Holdings B.V.	Netherlands	Euro	18,200	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. Watson (France) SNC	France	Euro	37,000	100	Holding company
	A/S Drogras	Latvia	LVL	1,280,000	100	Retailing
	Central Watson Company Limited	Thailand	THB	52,500,400	90	Retailing
	DC Ukraine	Ukraine	UAH	29,300,000	65	Retailing
# +	Dirk Rossmann GmbH	Germany	Euro	12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HK$	20	100	Retailing
⌘	Guangzhou Watson's Food and Beverages Co. Ltd.	China	US$	32,283,432	95	Beverage manufacturing & trading
	Kruidvat B.V.B.A.	Belgium	Euro	62,000	100	Retailing
	Kruidvat Retail B.V.	Netherlands	Euro	20,000	100	Retailing
+	Marionnaud Parfumeries S A	France	Euro	55,574,288	100	Perfume retailing
✡	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
	Spektr Group Limited Liability Company	Russia	RUB	3,000,000	100	Retailing
	Superdrug Stores plc	United Kingdom	GBP	22,000,000	100	Retailing
	The Perfume Shop Limited	United Kingdom	GBP	100,000	100	Perfume retailing
	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
	Watson's Personal Care Stores Sdn. Bhd.	Malaysia	M$	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

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

at 31 December 2006

	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
	Energy and infrastructure					
❋ +	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HK$	2,254,209,945	85	Holding Company
❋ # +	Hongkong Electric Holdings Limited	Hong Kong	HK$	2,134,261,654	33	Electricity generating
❋ # +	Husky Energy Inc.	Canada	C$	3,533,276,440	35	Investment in oil and gas
	Finance and investments and others					
	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
	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 (05) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance (06) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Finance UK plc	United Kingdom	GBP	50,000	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	53	Overseas portfolio investment
	Zeedane Investments Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
✡ ⌘ +	Guangzhou Aircraft Maintenance Engineering Company Limited	China	US$	27,500,000	50	Aircraft maintenance
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HK$	670,500,026	62	Trading & manufacturing of toys
❋	Hutchison China MediTech Limited	Cayman Islands/China	US$	51,212,121	72	Holding company of pharmaceuticals and healthcare businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HK$	15,000,000	100	Investment holding & China services
#	Metro Broadcast Corporation Limited	Hong Kong	HK$	1,000,000	50	Radio broadcasting
❋ #	TOM Group Limited	Cayman Islands/Hong Kong	HK$	389,327,056	24	Cross media

	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					
❋ #	Hutchison Telecommunications International Limited	Cayman Islands/Hong Kong	HK$	1,191,493,136	49.7	Holding company
	3 Italia S. p. A.	Italy	Euro	6,512,715,450	95	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	100	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 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 China MediTech Limited which is listed on the Alternative Investment Market of London Stock Exchange and Hutchison Telecommunications International Limited which is also listed on the New York Stock Exchange.

Associated companies

✡ Jointly controlled entities

⌘ Equity joint venture registered under PRC law

⚐ Cooperative joint venture registered under PRC law

⧫ Wholly owned foreign enterprise (WOFE) registered under PRC law

+ The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets, turnover (excluding share of associated companies and jointly controlled entities) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 15.3% and 7.5% of the Group's respective items.

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2006

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
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						
99 Cheung Fai Road at Container Terminal No 9, Tsing Yi, New Territories	TYTL 139	Medium	53%	359,981	C	Existing
Watson House, Wo Liu Hang Road, Shatin, New Territories	STTL 61	Medium	100%	280,900	C/W	Existing
Hutchison Logistics 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	66%	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%	510,392	H	Existing
Harbour Plaza Metropolis, Hung Hom Bay, Kowloon	KIL 11077	Medium	50%	461,310	H	Existing
Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong	IL 8885	Medium	39%	343,081	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
The Kowloon Hotel, 19-21 Nathan Road, Kowloon	KIL 10737	Medium	50%	329,486	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
Cavendish Centre, 23 Yip Hing Street, Wong Chuk Hang, Hong Kong	AIL 399	Long	100%	342,868	I	Existing

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
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
Caribbean Coast, Tung Chung, New Territories (site area approx 730,876 sq ft)	TCTL 5	Medium	50%	307,371	R/C	Existing
		Medium	40%	474,575	R	Existing
		Medium	50%	113,022	R	2008 (60%)
A residential development at Hung Shui Kiu, Yuen Long, New Territories (site area approx 175,367 sq ft)	Lot No. 2064 in DD121	Medium	50%	536,855	R	2008 (1%)
Oriental Plaza, Dong Chang An Jie, Beijing, China	Dong Chang An Jie, Beijing	Medium	18%	4,389,768	C	Existing
		Medium	18%	949,109	H	Existing
		Medium	18%	828,113	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					
	Phases 1A & 1B	Long	50%	29,661	R	Existing
	Commercial	Long	50%	25,586	C	2007 (50%)
	Phase 1C	Long	50%	954,975	R	2008 (1%)
	Phase 2	Long	50%	1,611,588	R	2008 (1%)
A residential development at Shisanling, Beijing, China (site area approx 2,742,003 sq ft)	Shisanling, Beijing	Long	50%	855,722	R	2009 (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%	556,972	H	Existing
Beverly Hills, Jiangbei, Chongqing, China	Yubei, Chongqing Phases 1 - 2	Medium	50%	201,498	R	Existing
Cape Coral, Nanan, Chongqing, China (site area approx 1,380,070 sq ft)	Nanan, Chongqing					
	Phase 1	Medium	48%	427,732	C	2007 (10%)
	Phase 1	Medium	48%	825,164	R	2008 (10%)
	Phases 1 – 2	Medium	48%	2,831,751	R/C	2009 (2%)
A residential development at Douxi, Chongqing, China (site area approx 4,741,389 sq ft)	Douxi, Chongqing					
	Phase 1A	Medium	50%	185,471	R	2008 (1%)
	Phases 1B & 2 – 5	Medium	50%	4,203,350	R	2010 (1%)
	Commercial	Medium	50%	26,910	C	2008 (1%)
Le Parc in Chengdu, China (site area approx 7,339,065 sq ft)	Chengdu High-Tech Zone					
	Phase 1A	Long	50%	759,548	R	2007 (2%)
	Phase 1B	Long	50%	1,280,343	R	2008 (2%)
	Phases 2 – 9	Long	50%	19,445,905	R/C	2015 (2%)
A commercial & residential development at Wenjiang, Chengdu, China (site area approx 4,018,482 sq ft)	Wenjiang, Chengdu					
	Phase 1A	Long	50%	982,463	R	2007 (1%)
	Phase 1B	Long	50%	513,598	R	2008 (1%)
	Phases 2 – 3	Long	50%	3,799,008	R/C	2009 (1%)
The Riverside and Metropolitan Plaza, Guangzhou, China (site area approx 767,265 sq ft)	Huangsha MTR Station Podium					
	Residential	Long	50%	2,752,487	R	2008 (12%)
	Commercial	Long	50%	936,644	C	2007 (40%)
Cape Coral, Panyu, Guangzhou, China (site area approx 4,621,147 sq ft)	Da Shi, Panyu					
	Phase 1	Long	50%	19,855	R	Existing
	Phase 2	Long	50%	351,033	R	Existing
	Phase 3	Long	50%	1,526,231	R	2009 (1%)
	Phase 4	Long	50%	1,446,870	R	2009 (1%)
	Commercial	Long	50%	19,805	C	Existing

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2006

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Zengcheng Project, Guangzhou, China (site area approx 22,740,374 sq ft)	Zengcheng Project, Guangzhou Phases 1 - 12	Long	50%	7,144,957	R/C	2019 (1%)
International Toys & Gifts Center, Huang Pu District, Guangzhou, China (site area approx 3,461,864 sq ft)	Nangang Village Head of Lang Bridge, Huang Pu District, Guangzhou					
	Phase 1	Medium	30%	466,309	C	Existing
	Phases 2 & 3	Medium	30%	1,844,269	C	2008 (1%)
Jinkeng Village, Zhongxin Town, Luogang District, Guangzhou, China (site area approx 2,427,750 sq ft)	Phase 1	Long	40%	1,083,161	R/C	2009 (1%)
	Phase 2	Long	40%	1,412,533	R/C	2010 (1%)
Laguna Verona, Dongguan, Guangdong, China (site area approx 35,954,838 sq ft)	Hwang Gang Lake, Dongguan					
	Phase A	Long	49.8%	14,336	R	Existing
	Phase B	Long	49.8%	29,256	R	Existing
	Commercial	Long	49.8%	9,321	C	Existing
	Phase E	Long	49.8%	550,052	R	2008 (2%)
	Phase G Stage 1	Long	49.8%	885,032	R	2008 (10%)
	Phase G Stage 1	Long	49.8%	149,778	C	2008 (17%)
	Phase G Stage 1(i), 2 & 3	Long	49.8%	927,786	R	2008 (4%)
	Other Phases	Long	49.8%	12,164,493	R/C	2017 (1%)
Harbour Plaza Golf Club, Dongguan, Guangdong, China	Hwang Gang Lake, Dongguan Golf course	Medium	50%	14,257,654	G	Existing
Le Parc (Huangpu Yayuan), Futian , Central District, Shenzhen, China	Central District, Shenzhen	Long	50%	102,953	C	Existing
Regency Park (Guan Hu Yuan), Guanlan, Baoan, Shenzhen, China (site area approx 4,045,594 sq ft)	Baoan District, Shenzhen					
	Phase 1	Long	50%	605,765	R	2008 (1%)
	Phases 2 - 3	Long	50%	1,083,667	R	2009 (1%)
Le Sommet (Yu Feng Yuan), Feng Huang Shan, Shenzhen, China (site area approx 2,407,822 sq ft)	Ping Hu, Longgang District, Shenzhen					
	Phase 1	Long	50%	952,467	R/C	2008 (1%)
	Phases 2 - 4	Long	50%	2,187,635	R/C	2009 (1%)
Huaqiangbei Development, Huaqiangbei, Futian District, Shenzhen, China (site area approx 184,118 sq ft)	Shennan Road, Huaqiangbei, Futian District, Shenzhen	Medium	50%	1,165,687	C	2010 (3%)
		Medium	50%	444,642	R	2010 (3%)
Horizon Cove, Tang Jia Bay, Zhuhai, China (site area approx 4,797,169 sq ft)	Tang Jia Bay, Zhuhai					
	Phases 1 & 3B	Long	50%	92,467	R	Existing
	Phase 4	Long	50%	1,082,515	R	2008 (5%)
	Commercial	Long	50%	24,567	C	Existing
A residential development at Qiao Island, Zhuhai, China (site area approx 2,152,760 sq ft)	Qiao Island, Zhuhai					
	Phase 1	Long	50%	703,522	R	2008 (3%)
	Phases 2 - 3	Long	50%	1,852,988	R	2009 (6%)
The Center, Xuhui, Shanghai, China	Changshu Lu / Changle Lu, Xuhui District, Shanghai	Medium	62%	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, 6, 6A & 6B	Long	50%	1,151,027	R	Existing
	Phase 4A	Long	50%	16,146	R	2007 (90%)
Regency Park, Pudong Huamu, Shanghai, China (site area approx 4,936,832 sq ft)	Huamu Road, Pudong, Shanghai					
	Phase 2A	Medium	50%	61,892	C	2007 (60%)
	Phase 2B	Medium	50%	136,442	C	2008 (10%)
	Phase 3	Medium	50%	7,773	R	Existing
	Phase 6	Medium	50%	276,963	R	2007 (90%)
	Phase 6A & 8A	Medium	50%	87,262	C	2008 (10%)
	Phase 7	Medium	50%	261,399	R	2008 (20%)
	Phase 8	Medium	50%	58,178	R	2008 (10%)

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Maison des Artistes, Gubei, Shanghai, China (site area approx 546,037 sq ft)	Gubei Road, Shanghai					
	Phase 1	Long	50%	104,710	R	2007 (60%)
	Phases 2, 3C & Commercial	Long	50%	1,102,127	R/C	2007 (30%)
	Phase 3D	Long	50%	472,229	R	2008 (10%)
Century Avenue, Shanghai, China (site area approx 547,339 sq ft)	Lot 2 – 4, Century Avenue, Pudong, Shanghai	Medium	25%	2,869,855	C	2010 (1%)
A residential development at Maqiao, Shanghai, China (site area approx 2,804,626 sq ft)	Kun Yang Road (N), Maqiao Town, Ming Hang Area, Shanghai	Long	42.5%	483,962	R	2009 (1%)
A commercial development at Xin Zha Road, Shanghai, China (site area approx 156,376 sq ft)	Xin Zha Road / Datian Road, Jing An Area, Shanghai	Long	30%	625,505	C	2009 (1%)
The Greenwich, Xian, China (site area approx 5,549,406 sq ft)	Xian Hi-Tech Industrial Development Zone					
	Phase 1A	Long	50%	1,226,018	R	2007 (25%)
	Phase 1B	Long	50%	1,454,136	R	2008 (20%)
	Phase 2A	Medium	50%	1,347,552	R/C	2008 (1%)
	Phase 2B	Medium	50%	1,347,563	R/C	2009 (1%)
	Phase 3A	Medium	50%	1,741,357	R/C	2010 (1%)
	Phase 3B	Medium	50%	1,048,050	R/C	2009 (1%)
	Phase 4A	Long	50%	1,532,055	R	2010 (1%)
	Phase 4B	Long	50%	1,521,291	R	2011 (1%)
A residential development at Changsha, China (site area approx 5,989,301 sq ft)	Wangcheng Jinxing Dadao, Changsha	Long	50%	6,982,735	R	2012 (1%)
A residential development at Jingyuetan, Changchun, China (site area approx 9,910,101 sq ft)	Jingyuetan, Changchun					
	Phase 1	Medium	50%	622,427	R	2007 (10%)
	Phase 2	Medium	50%	1,073,614	R	2008 (1%)
	Phase 3	Medium	50%	895,085	R	2009 (1%)
	Phase 4	Medium	50%	898,261	R	2010 (1%)
	Phase 5	Medium	50%	867,907	R/C	2011 (1%)
A commercial & residential development at Nanguan, Changchun, China (site area approx 1,802,786 sq ft)	Nanguan, Changchun					
	Phase 1	Medium	50%	784,541	R/C	2008 (1%)
	Phase 2	Medium	50%	784,541	R/C	2009 (1%)
	Phase 3	Medium	50%	784,541	R/C	2010 (1%)
A commercial & residential development at Xiaogangwan, Qingdao, China (site area approx 3,355,938 sq ft)	Xiaogangwan, Qingdao					
	Phases 1 – 6	Long	45%	9,829,717	R/C/H	2013 (1%)
A commercial & residential development at Wuhan, China (site area approx 1,137,099 sq ft)	Hualou Jie, Wuhan	Long	50%	3,926,720	R/C	2010 (1%)
A commercial & residential development at Wuhan, China (site area approx 374,462 sq ft)	Laopupian, Wuhan	Long	50%	1,731,594	R/C	2009 (1%)
A commercial & residential development at Tianjin, China (site area approx 211,153 sq ft)	Yingkoudao, Tianjin	Medium	40%	2,780,074	R/C	2009 (10%)
Albion Riverside, United Kingdom	Wandsworth, London	Freehold	45%	13,098 *	R	Existing
		Freehold	45%	79,242 *	C	Existing
A commercial & residential development at Lots Road, Chelsea, London, United Kingdom (site area approx 384,199 sq ft)	Chelsea / Fulham, London	Freehold	48%	770,550 *	R	2012 (1%)
		Freehold	48%	74,341 *	C	2012 (1%)
Costa Del Sol, Bayshore Road, Singapore	MK 27 Lot LP525 Singapore	Long	24%	518,025	R	Existing
Cairnhill Crest at Cairnhill Circle, Singapore	Lots 874P & 601W Singapore	Freehold	50%	199,237	R	Existing

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2006

Description	Lot number	Lease term	Group's interest	Approx gross floor area (sq ft unless otherwise stated)	Type	Estimated completion date (% complete)
Land Parcel A (Phase 1) at Marina Central Boulevard, Singapore (site area approx 220,716 sq ft)	Land Parcel 662, Singapore	Long	16.7%	2,626,367	R/C	2010 (1%)
A residential development at Silver Point, Grand Bahama Island (site area approx 18 acres)	Silver Point, Grand Bahama Island	Freehold	90%	304,700	R	2010 (0.5%)
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	53%	70 acres	CT	Existing
Container Terminal No 6, Kwai Chung, New Territories	KCL No 6	Medium	53%	71 acres	CT	Existing
Container Terminal No 7, Kwai Chung, New Territories	KCL No 7 and extension	Medium	53%	85 acres	CT	Existing
Container Terminal No 8, East Kwai Chung, New Territories	KCL No 8	Medium	53%	74 acres	CT	Existing
Container Terminal No 9, Tsing Yi, New Territories	TYTL 139 TYL 9 (co-grantee)	Medium	53%	47 acres	CT	Existing
Mid-Stream Terminal, Stonecutters Island, Hong Kong	KCTL No 479	Medium	80%	360,000	CT	Existing
River Trade Terminal, Tuen Mun, New Territories	TMTL No 393	Medium	34%	7,000,000	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases I & II)	Yantian, Shenzhen	Medium	38%	14,033,225	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China (Phases III & Expansion)	Yantian, Shenzhen	Medium	34%	24,310,000	CT	2010 (51%)
Container Terminal at West Port of Yantian Port, Shenzhen, China	Yantian, Shenzhen	Medium	23%	1,862,522	CT	Existing
Inland Container Depot and Warehousing, Guanlan, Shenzhen, China	Guanlan, Shenzhen	Medium	57%	3,591,699	D/W	Existing
Container Terminal at Dayabay, Huizhou, Guangdong, China	Dayabay, Huizhou, Guangdong	Medium	27%	5,597,417	CT	Existing
Container Terminal at Jiuzhou, Zhuhai, Guangdong, China	Lovers Avenue South, Zhuhai, Guangdong	Medium	40%	1,659,592	CT	Existing
Multi purpose Terminal at Zhuhai Port, Gaolan, Zhuhai, Guangdong, China	Zhuhai Port, Zhuhai, Guangdong	Medium	40%	2,238,891	CT	Existing
Container Terminal at Zhuchi Port, Shantou, Guangdong, China	Zhuchi Port, Shantou, Guangdong	Medium	56%	4,582,505	CT	Existing
Container Terminal at Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai, China	Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai	Medium	30%	8,983,662	CT	Existing
Container Terminal at Waigaoqiao, Phase V, Shanghai, China	Waigaoqiao, Phase V, Pudong, Shanghai	Medium	40%	17,534,372	CT	Existing
Container Terminals at Beilun, Ningbo, Zhejiang, China	Beilun, Ningbo, Zhejiang	Medium	39%	8,140,591	CT	Existing
Container Terminal at San Shan Port, Nanhai, Guangdong, China	San Shan Island, Nanhai, Guangdong	Medium	40%	4,256,425	CT	Existing
Container Terminal at Gaosha Port, Jiangmen, Guangdong, China	Gaoshawei, Baishi Administration Area, Jiangmen, Guangdong	Medium	40%	1,337,675	CT	Existing

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 Haicang Port, Xiamen, Fujian, China	Haicang Port Zone, Xiamen, Fujian	Medium	39%	5,016,444	CT	Existing
Container Terminal at Laem Chabang, Thailand	A2, Laem Chabang	Medium	70%	1,829,825	CT	Existing
Multi Purpose Terminal at Laem Chabang, Thailand	C0, Laem Chabang	Medium	64%	78 acres	CT	2007 (62%)
Container Terminal at Laem Chabang, Thailand	A3, C1, C2, D1, D2, D3, Laem Chabang	Medium	64%	359 acres	CT	2011 (7%)
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 1 & CT2 Tanjung Priok, Jakarta	Medium	41%	246 acres	CT	2010 (80%)
Container Terminal at Tanjung Priok, Jakarta, Indonesia	CT 3 Tanjung Priok, Jakarta	Medium	38%	76 acres	CT	Existing
Container Terminal at Port Klang, Selangor, Malaysia	Westports, Port Klang, Palau Indah	Medium	25%	1,450 acres	CT	Existing
Container Terminal at Karachi, Pakistan (Phases I & II)	Berth Nos 28 to 30 West Wharf	Medium	80%	1,466,284	CT	Existing
Container Terminal at Karachi, Pakistan (Phase III)	Berth Nos 26 to 27 West Wharf	Medium	80%	1,336,084	CT	2011 (1%)
Container Terminal at 1116, Jwachon-dong, Dong-ku, Busan, South Korea	Busan, Busan-si	Medium	80%	160 acres	CT	Existing
Container Terminal at 624, Gamman-Dong Nam-ku, Busan, South Korea	Gamman, Busan-si	Medium	80%	37 acres	CT	Existing
Container Terminal at 775, Doi-dong, Gwangyang, Cheonnam, South Korea	Gwangyang, Gwangyang-si	Medium	80%	51 acres	CT	Existing
Container Terminal at 780-2, Doi-dong Gwangyang,Gwangyang-si, Joellanam-do, South Korea	Gwangyang, Gwangyang-si					
	Phase II-1	Medium	71%	3,476,856	CT	Existing
	Phase II-2	Medium	71%	5,737,351	CT	Existing
Container Terminal at Felixstowe, United Kingdom	Felixstowe, County of Suffolk	Long	80%	540 acres	CT	Existing
		Freehold	80%	250 acres	CT	Existing
Container Terminal at Thamesport, United Kingdom	Isle of Grain County of Kent	Long	80%	210 acres	CT	Existing
Multi purpose freight & passenger port & Bathside Bay Land, Harwich, United Kingdom	Harwich, County of Essex	Freehold	80%	185 acres	P	Existing
		Freehold	80%	250 acres	CT	2010 (25%)
Container Terminal at Rotterdam, The Netherlands	Home Terminal, Rotterdam	Long	98%	166 acres	CT	Existing
	Delta Terminal, Rotterdam	Long	78%	613 acres	CT	Existing
	Hanno Terminal, Rotterdam	Long	78%	79 acres	CT	Existing
	Euromax Terminal	Long	78%	207 acres	CT	2008 (20%)
Inland Container Terminal at Venlo, The Netherlands	TCT Venlo Terminal	Freehold	78%	16 acres	CT/W	Existing
Inland Container Terminal at Willebroek, Belgium	TCT Belgium Terminal, Willebroek	Freehold	78%	25 acres	CT/D/W	Existing
Inland Container Terminal at Duisburg, Germany	DeCeTe Terminal, Duisburg	Long	40%	32 acres	CT	Existing
Container Terminal at Muelle Principe de Espana, Barcelona, Spain	Terminal de Catalunya, S.A. Barcelona, Spain	Medium	56%	3,863,982	CT	Existing
Container Terminal at Gdynia, Poland	Port of Gdynia Poland	Long	68%	46 acres	CT	2013 (33%)

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2006

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 Sohar, Sultanate of Oman	Plot 2B, Sohar Industrial Port	Medium	52%	69 acres	CT	2007 (75%)
Container Terminal at Alexandria, Egypt	Alexandria	Medium	30%	1,207,731	CT	2007 (85%)
	El Dekheila	Medium	30%	2,004,848	CT	2007 (80%)
Container Terminal at Veracruz, Mexico	Recinio portuario, Zona II Puerto de Veracruz, Veracruz	Medium	80%	4,492,133	CT	Existing
Container Terminal at Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	80%	1,552,508	CT	Existing
Cruise Port & Marina at Ensenada, Baja California, Mexico	Ensenada, Baja California	Medium	80%	2,043,011	P	Existing
Container Terminal at Manzanillo, Mexico	CT Zone I Manzanillo	Medium	80%	461,853	CT/D	Existing
Container Terminal at Manzanillo, Mexico	CT Zone II Manzanillo	Medium	80%	178,842	CT	Existing
Inland Container Depot at Manzanillo, Mexico	Ejido Tapeixtles	Freehold	80%	645,835	CT	Existing
Inland Container Depot at Santa Fe, Veracruz, Mexico	Ejido Delfino Vict.	Freehold	80%	1,723,141	CT	Existing
Container Terminal at Lazaro Cardenas, Michoacan, Mexico	Recinto Portuario, Lazaro Cardenas, Michoacan	Freehold	80%	2,220,024	CT	Existing
		Medium	80%	1,658,941	CT	Existing
Container Terminal at Buenos Aires, Argentina	Puerto Nuevo, Buenos Aires	Short	80%	67 acres	CT	Existing
Grand Bahama International Airport, Bahamas	Freeport, Grand Bahama Island	Freehold	40%	2,655 acres	A	Existing
Freeport Development Company, Bahamas	Freeport, Grand Bahama Island	Freehold	40%	721 acres	C	Existing
Cruise Port at Freeport, Bahamas	Freeport, Grand Bahama Island	Freehold	40%	1,630 acres	P	Existing
Container Terminal at Freeport, Bahamas	Freeport, Grand Bahama Island	Long	48%	168 acres	CT	Existing

Lease term: Long = lease not less than 50 years; Medium = lease less than 50 years but not less than 10 years; Short = lease 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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	**2006**
CONSOLIDATED PROFIT AND LOSS ACCOUNT										
HK$millions										
Revenue	44,590	51,383	55,442	57,022	61,460	75,235	104,921	134,595	182,584	**183,812**
Profit attributable to shareholders of the Company	11,600	7,317	117,882	34,335	9,547	11,944	7,913	12,978	14,343	**20,030**
Dividends	6,123	4,962	6,318	7,375	7,375	7,375	7,375	7,375	7,375	**7,375**
CONSOLIDATED BALANCE SHEET										
HK$millions										
ASSETS										
Non-current assets										
Fixed assets	37,079	34,796	33,431	34,962	50,695	91,008	123,508	147,603	124,243	**140,181**
Investment properties	22,520	23,172	28,704	29,208	27,138	27,155	25,892	31,741	38,557	**41,657**
Leasehold land	18,635	20,930	24,790	24,628	29,200	29,968	31,027	31,037	32,374	**35,293**
Telecommunications licences	–	–	–	80,039	78,152	89,581	98,943	103,060	84,624	**89,077**
Telecommunications postpaid customer acquisition costs	–	–	–	–	–	–	1,647	6,823	6,172	**10,532**
Goodwill	–	–	–	–	333	7,838	8,583	10,577	17,959	**21,840**
Brand names and other rights	–	–	–	1,071	1,807	2,034	1,929	1,559	3,579	**7,582**
Associated companies	18,992	19,786	25,395	37,997	36,899	45,055	50,662	54,887	65,334	**74,954**
Interests in joint ventures	34,239	39,607	34,193	38,634	37,146	33,598	37,233	35,756	37,284	**38,507**
Deferred tax assets	53	80	425	720	974	1,725	5,372	12,259	15,635	**17,159**
Other non-current assets	1,547	3,335	3,261	7,645	7,851	6,550	7,682	8,230	4,426	**3,762**
Liquid funds and other listed investments	25,334	21,956	172,906	127,446	71,204	75,597	63,929	66,503	60,669	**66,251**
	158,399	163,662	323,105	382,350	341,399	410,109	456,407	510,035	490,856	**546,795**
Net current assets (liabilities)	14,978	4,298	17,108	9,632	41,805	(1,813)	65,209	45,899	22,083	**40,535**
Total assets less current liabilities	173,377	167,960	340,213	391,982	383,204	408,296	521,616	555,934	512,939	**587,330**
Non-current liabilities										
Bank and other debts	72,720	71,880	80,662	107,004	129,018	141,569	230,182	254,779	233,454	**260,970**
Interest bearing loans from minority shareholders	3,065	705	640	338	575	1,099	5,885	5,096	5,429	**12,030**
Deferred tax liabilities	6,939	7,263	8,204	8,675	10,259	10,237	10,357	11,674	13,750	**15,019**
Pension obligations	–	–	–	–	131	2,105	1,943	2,424	2,323	**2,378**
Other non-current liabilities	–	–	–	916	1,541	2,522	2,408	2,167	4,354	**6,368**
	82,724	79,848	89,506	116,933	141,524	157,532	250,775	276,140	259,310	**296,765**
Net assets	90,653	88,112	250,707	275,049	241,680	250,764	270,841	279,794	253,629	**290,565**
CAPITAL AND RESERVES										
Share capital	969	969	969	1,066	1,066	1,066	1,066	1,066	1,066	**1,066**
Reserves	83,219	80,494	243,222	245,915	210,055	216,202	236,741	250,105	242,488	**272,728**
Total shareholders' funds	84,188	81,463	244,191	246,981	211,121	217,268	237,807	251,171	243,554	**273,794**
Minority interests	6,465	6,649	6,516	28,068	30,559	33,496	33,034	28,623	10,075	**16,771**
Total equity	90,653	88,112	250,707	275,049	241,680	250,764	270,841	279,794	253,629	**290,565**

TEN YEAR SUMMARY

	1997	1998	1999	2000	2001	2002	2003	2004	2005	**2006**
PERFORMANCE DATA										
Earnings per share for profit attributable to shareholders of the Company – (HK$)	2.72	1.72	27.65	8.05	2.24	2.80	1.86	3.04	3.36	**4.70**
Dividends per share – (HK$)	1.44	1.16	1.48	1.73	1.73	1.73	1.73	1.73	1.73	**1.73**
Dividend cover	1.9	1.5	18.7	4.7	1.3	1.6	1.1	1.8	1.9	**2.7**
Return on average shareholders' funds (%)	15.1%	8.8%	72.4%	14.0%	4.2%	5.6%	3.5%	5.3%	5.8%	**7.7%**
Current ratio	1.5	1.2	1.5	1.2	1.8	1.0	1.7	1.5	1.3	**1.4**
Net debt/Net total capital (%) (2)	21.7%	31.5%	0.1%	-21.8%	0.4%	16.0%	22.4%	32.4%	36.2%	**33.4%**
Net assets attributable to shareholders of the Company per ordinary share – book value (HK$)	19.8	19.1	57.3	57.9	49.5	51.0	55.8	58.9	57.1	**64.2**
Number of shares (million)	3,874.9	3,875.8	3,875.8	4,263.3	4,263.3	4,263.3	4,263.3	4,263.3	4,263.3	**4,263.3**

(1) The comparative 31 December 2005 consolidated balance sheet has been restated in accordance with HKFRS 3 (See note 2).

(2) Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total bank and other debts plus total equity and loans from minority shareholders net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

Listing
The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

Stock Code

The Stock Exchange of Hong Kong Limited	013

Financial Calendar

Closure of Register of Members	10 May 2007 – 17 May 2007
Annual General Meeting	17 May 2007
Payment of 2006 Final Dividend	18 May 2007
Announcement of Interim Results	August 2007

Registered Office
22nd Floor, Hutchison House
10 Harcourt Road, Hong Kong
Telephone: +852 2128 1188
Facsimile: +852 2128 1705

Share Registrars
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Telephone: +852 2862 8628
Facsimile: +852 2865 0990

Investor Information
Corporate press releases, financial reports and other investor information on the Group are available online at the Company's website.

Investor Relations Contact
Please direct enquiries to:
Investor Relations Manager
22nd Floor, Hutchison House
10 Harcourt Road, Hong Kong
Telephone: +852 2128 1188
Facsimile: +852 2128 1705

Website Address
www.hutchison-whampoa.com

Equity Financial Press Limited

Hutchison Whampoa Limited

22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong

Telephone: +852 2128 1188
Facsimile: +852 2128 1705

www.hutchison-whampoa.com