Hutchison Whampoa Limited

HUTCHISON WHAMPOA LIMITED

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

HIGHLIGHTS

	2004	2003 (As restated) *	Changes
	HK$'million	HK$'million	
Profit attributable to shareholders	**16,128**	11,677	+38%
Profit attributable to shareholders (excluding investment properties revaluation profit, profit on disposal of investments and 3G losses)	**17,788**	15,207	+17%
Earnings per share	**HK$3.78**	HK$2.74	+38%
Final dividend per share	**HK$1.22**	HK$1.22	-
Total dividend per share	**HK$1.73**	HK$1.73	-

* Basis of Preparation of Accounts

- Established businesses reported another year of healthy growth; operations span 45 countries bringing ample opportunities for further development
- Turnover grew 23% to HK$179,415 million
- Profit attributable to shareholders grew 38%
- Profit attributable to shareholders, excluding investment properties revaluation profit, profit on disposal of investments and **3** Group losses, increased 17% to HK$17,788 million
- 100% EBIT growth from established businesses, totalling HK$56,863 million
- Strong cash generation from all established businesses with EBITDA, before LBITDA from **3** Group, of HK$65,618 million up 44%
- 3G customer base grew by over 7 million and currently totals over 8 million worldwide with LBITDA from the **3** Group before expensed CAC narrowing 37% to HK$7,291 million
- Cash and liquid investments at 31 December totalled HK$140,301 million. Net debt stood at 33% of net total capital

CHAIRMAN'S STATEMENT

The Group benefited from its diversification and a general improvement in the world economy, reporting profit attributable to shareholders 38% better than last year, as restated (see note below). The Group's established businesses reported another year of healthy growth and the 3G businesses, in their first full year of operations, increased their customer base to currently total over 8 million and are on target to achieve earnings before interest, taxation, depreciation and amortisation ("EBITDA") breakeven on a month-by-month basis in the latter part of this year.

Results

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

Dividends

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

Business Growth

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

Established businesses

Ports and related services

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

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

- In Hong Kong, Hongkong International Terminals reported growth of 18% in throughput and 4% in EBIT, compared to last year.
- Yantian port reported throughput growth of 19% and EBIT growth of 20%, reflecting new capacity from Phase III's four new berths which were completed in September 2004.
- The combined operations in Shanghai, Waigaoqiao, Ningbo, Xiamen and other Mainland ports reported strong growth with a 19% increase in throughput and a 17% increase in EBIT.
- In Europe, the combined throughput of the UK ports and Europe Container Terminal ("ECT") in Rotterdam grew by 23%. Combined EBIT increased 42%, mainly due to higher throughput and the effect of the strengthening British pound and Euro against the Hong Kong dollar.
- Operations in other Asian countries, the Middle East and Africa reported combined throughput 14% better than last year and EBIT increased 12% due to throughput growth in Busan and Gwangyang in South Korea, Dammam in Saudi Arabia and Laem Chabang in Thailand.
- Operations in the Americas and the Caribbean reported combined throughput 6% ahead of last year and EBIT increased 17% due to strong throughput growth in Buenos Aires in Argentina, partially offset by the effect of hurricanes on the port in Freeport in the Bahamas.

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

Property and Hotels

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

Retail and Manufacturing

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

Energy, Infrastructure, Finance and Investment

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

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

The Group's EBIT from its finance and investments operations, which mainly represents returns earned on the Group's substantial holdings of cash and liquid investments, amounted to HK$8,681 million, an increase of 39%, mainly due to realised foreign exchange gains and profits on disposal of certain equity and fixed-income securities held as investments. The

Group's consolidated cash and liquid investments at 31 December 2004 totalled HK$140,301 million, and consolidated debt was HK$282,993 million, resulting in a Group net debt position of HK$142,692 million and an overall net debt to net total capital ratio of approximately 33%. Currently, over 68% of the Group's debt matures in five years and beyond.

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

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

In October, the Group's interests in HGCH together with its major interests in 2G cellular businesses were combined under a single parent, HTIL, which was then listed by way of initial public offering on the Hong Kong Stock Exchange and the New York Stock Exchange. Following the initial public offering, the Group's shareholding in this new subsidiary is approximately 70%.

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

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

3 Group Businesses

The Group's strategy in 2004 as a first mover in major developed mobile markets around the world has begun to yield tangible results. In 2004, the **3** Group was amongst the fastest growing operators in developed mobile markets. The **3** Group's and HTIL's 3G customer base at 30 March totalled over 8 million, with over 1,700,000 new customers added in the first quarter this year following a very successful holiday season which saw sales of over 900,000 in November and 1,300,000 in December. In several of our markets, **3** is now recognised as the mobile industry leader in product offering and growth momentum. In all of our markets, the **3** brand was synonymous with 3G mobile technology well before any local competitor had launched a competitive 3G offering.

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

As a result, **3** Group revenues have increased rapidly, reaching HK$15,742 million for 2004, nearly 5 times the revenue contribution for the seven months of operations in 2003. As average customer numbers grow and with costs tightly managed, the **3** Group is progressing rapidly to achieving its stated target of being EBITDA breakeven after expensed CAC on a month-to-month basis in the latter part of this year.

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

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

Key Business Indicators

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

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

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average active customers, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G-service in the preceding 3 months.
Note 2: % of population
Note 3: % of licence population
Note 4: 3G operations in Israel commenced in December 2004 and the KBIs are not meaningful

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

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

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

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

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

Outlook

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

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

The world economy generally improved in 2004, despite rising US dollar interest rates and a high oil and commodities price environment. We expect modest continuing improvement in 2005 under similar conditions with continuing strong growth in the Mainland and Hong Kong, India and elsewhere in Asia. All of the Group's established businesses are expected to achieve strong operating performances as well as solid financial performances. Each of our ports, infrastructure, energy, property and retail businesses is making an improved contribution to our Group's "sum of the parts" valuation, and each is expected to continue to produce both short and long term satisfactory returns to the Group. With the **3** Group becoming self-financing in the 2005-2006 period, plans are already being made to put in place appropriate new capital structures for the Italy and UK businesses which will maximise their value contribution to our Group. All of this gives me confidence that 2005 will be another year of solid achievement and value creation for our shareholders.

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

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

Li Ka-shing
Chairman
Hong Kong, 31 March 2005

* Basis of Preparation of Accounts

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

Hutchison Whampoa Limited
Consolidated Profit and Loss Account
for the year ended 31 December 2004

	Note	**2004 HK$ millions**	As restated (note 1) 2003 HK$ millions		Change
Turnover					
Company and subsidiary companies		**134,595**	104,921	+	28%
Share of associated companies and jointly controlled entities		**44,820**	40,688	+	10%
	2	**179,415**	145,609	+	23%
Company and subsidiary companies					
Turnover		**134,595**	104,921	+	28%
Cost of inventories sold		**(52,006)**	(45,295)	-	15%
Staff costs		**(21,525)**	(16,856)	-	28%
Prepaid 3G telecommunications customer acquisition expense	1	**(8,423)**	(917)	-	819%
Depreciation and amortisation		**(30,263)**	(13,166)	-	130%
Other operating expenses	2(b)	**(38,680)**	(30,595)	-	26%
Change in fair value of investment properties	1	**5,244**	(1,809)	+	390%
Profit on disposal of investments and others	2(c)	**19,181**	8,893	+	116%
	2	**8,123**	5,176	+	57%
Share of profits less losses of associated companies		**8,822**	8,796	+	0%
Share of profits less losses of jointly controlled entities		**2,422**	2,627	-	8%
Earnings before interest expense and taxation [1]	2	**19,367**	16,599	+	17%
Interest and other finance costs, including share of associated companies and jointly controlled entities	3	**(12,712)**	(9,568)	-	33%
Profit before taxation		**6,655**	7,031	-	5%
Current taxation charge	4	**(3,776)**	(2,758)	-	37%
Deferred taxation credit	4	**6,818**	5,854	+	16%
Profit after taxation		**9,697**	10,127	-	4%
Minority interests		**6,431**	1,550	+	315%
Profit attributable to shareholders	5	**16,128**	11,677	+	38%
Dividends					
Interim dividend		**2,174**	2,174		
Final dividend		**5,201**	5,201		
		7,375	7,375		
Earnings per share	6	**HK$ 3.78**	HK$ 2.74		
Dividends per share					
Interim dividend		**HK$ 0.51**	HK$ 0.51		
Final dividend		**HK$ 1.22**	HK$ 1.22		
		HK$ 1.73	HK$ 1.73		

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

Hutchison Whampoa Limited
Consolidated Balance Sheet
at 31 December 2004

	Note	**2004** **HK$ millions**	As restated (note 1) 2003 HK$ millions
ASSETS			
Non-current assets			
Fixed assets		**210,937**	181,507
Telecommunications licences		**102,138**	97,926
Telecommunications customer acquisition costs		**6,823**	1,647
Goodwill		**10,241**	8,583
Associated companies		**55,332**	51,036
Interests in joint ventures		**35,963**	37,593
Deferred tax assets		**19,384**	9,775
Other non-current assets		**8,230**	7,682
Liquid funds and other listed investments		**66,503**	63,929
Total non-current assets		**515,551**	459,678
Cash and cash equivalents	7	**73,798**	111,933
Other current assets	7	**64,886**	49,924
Current liabilities	8	**88,526**	90,240
Net current assets		**50,158**	71,617
Total assets less current liabilities		**565,709**	531,295
Non-current liabilities			
Long term liabilities		**254,779**	230,182
Deferred tax liabilities		**11,893**	10,599
Pension obligations		**1,143**	960
Total non-current liabilities		**267,815**	241,741
Minority interests		**37,053**	45,537
Net assets		**260,841**	244,017
CAPITAL AND RESERVES			
Share capital		**1,066**	1,066
Reserves		**259,775**	242,951
Shareholders' funds		**260,841**	244,017

Notes

1 Accounting Policies

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS"), also collectively referred to as Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

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

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

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

2 Segment information

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

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

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

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

Business segment

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

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

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

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

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

3 Interest and other finance costs

	2004 HK$ millions	2003 HK$ millions
Company and subsidiary companies	**11,919**	10,065
Less: interest capitalised	**(869)**	(2,350)
	11,050	7,715
Share of associated companies	**1,411**	1,407
Share of jointly controlled entities	**251**	446
	12,712	9,568

4 Taxation

	Current taxation HK$ millions	**Deferred taxation HK$ millions**	**2004 Total HK$ millions**	2003 Total HK$ millions
Hong Kong				
Subsidiary companies	**747**	**1,053**	**1,800**	567
Associated companies	**432**	**(9)**	**423**	671
Jointly controlled entities	**68**	**4**	**72**	77
Outside Hong Kong				
Subsidiary companies	**1,639**	**(8,244)**	**(6,605)**	(5,569)
Associated companies	**695**	**284**	**979**	633
Jointly controlled entities	**195**	**94**	**289**	525
	3,776	**(6,818)**	**(3,042)**	(3,096)

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

5 Profit attributable to shareholders

Included in profit attributable to shareholders is a surplus of HK$587 million (2003 - deficit of HK$3,206 million) transferred from investment revaluation reserves upon disposal of the relevant investments.

6 Earnings per share

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

7 Current assets

	2004	2003
	HK$ millions	HK$ millions
Stocks	**17,970**	11,966
Trade receivables	**19,002**	6,916
Other receivables and prepayments	**27,914**	21,362
Current portion of liquid funds and other listed investments	**-**	9,680
Total other current assets	**64,886**	49,924
Cash and cash equivalents	**73,798**	111,933
	138,684	161,857

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

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

Current	**14,807**	4,081
31-60 days	**2,007**	1,378
61-90 days	**848**	502
Over 90 days	**1,340**	955
	19,002	6,916

8 Current liabilities

	2004	2003
	HK$ millions	HK$ millions
Bank loans	**21,458**	13,908
Other loans	**1,660**	946
US$2,657 million exchangeable notes, 2% due 2004	**-**	20,723
Other notes and bonds		
HK$ notes, HIBOR + 0.8% due 2004	**-**	1,500
Trade payables	**16,860**	11,978
Other payables and accruals	**46,650**	39,560
Taxation	**1,898**	1,625
	88,526	90,240

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

Current	**11,436**	9,007
31-60 days	**3,299**	1,930
61-90 days	**857**	539
Over 90 days	**1,268**	502
	16,860	11,978

GROUP CAPITAL RESOURCES AND LIQUIDITY

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

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

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

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

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

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

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

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

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

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

During the year, the Group disposed of its 20% interest in Procter & Gamble – Hutchison for a cash consideration of US$2 billion (HK$15,600 million) and received proceeds from the listings of HGCH and HTIL of HK$1,600 million and HK$7,700 million respectively.

Consolidated EBITDA before 3G prepaid CAC amounted to HK$58,327 million (2003 – HK$33,903 million) and funds from operations ("FFO"), before capital expenditure, investment in 3G prepaid and postpaid CAC and changes in working capital, amounted to HK$15,829 million (2003 – HK$15,918 million). EBITDA and FFO from the Group's established businesses, excluding the **3** Group businesses, totalled HK$65,618 million (2003 – HK$45,474 million) and HK$29,697 million, (2003 – HK$29,686 million) respectively. Consolidated EBITDA and FFO including **3** Group losses covered consolidated net interest expense 6.7 times and 2.0 times respectively (2003 – 5.2 times and 3.3 times).

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

CONTINGENT LIABILITIES

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

TREASURY POLICIES

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

Funding and Cash Management

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company meets the code provisions set out in 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 which came into effect on 1 January 2005.

GENERAL INFORMATION

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2004 have been reviewed by the audit committee of the Company and audited by the Company's auditors, PricewaterhouseCoopers. The unqualified auditors' report will be included in the Annual Report to shareholders.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 19 May 2005. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

As at the date of this announcement, the Directors of the Company are:

Executive Directors :
Mr. LI Ka-shing (*Chairman)*
Mr. LI Tzar Kuoi, Victor (*Deputy Chairman)*
Mr. FOK Kin-ning, Canning
Mrs. CHOW WOO Mo Fong, Susan
Mr. Frank John SIXT
Mr. LAI Kai Ming, Dominic
Mr. George Colin MAGNUS
Mr. KAM Hing Lam

Non-executive Director :
Mr. William SHURNIAK

Independent Non-executive Directors :
Mr. Michael David KADOORIE
Mr. Holger KLUGE
Mr. William Elkin MOCATTA
(Alternate to Mr. Michael David Kadoorie)
Mr. Simon MURRAY
Mr. OR Ching Fai, Raymond
Mr. WONG Chung Hin

HUTCHISON WHAMPOA LIMITED
GROUP NET PROFIT AFTER TAX AND MINORITY INTERESTS

In HK$ Millions

	Note	For the year ended 2004	2003 As restated *(Note 3)*	2004	2003 As restated *(Note 3)*	% Change
ESTABLISHED BUSINESSES						
PORTS AND RELATED SERVICES		**8,867**	7,597	**16%**	27%	**17%**
PROPERTY AND HOTELS		**3,125**	3,121	**6%**	11%	**-**
RETAIL AND MANUFACTURING		**3,654**	2,331	**6%**	8%	**57%**
CHEUNG KONG INFRASTRUCTURE		**5,237**	5,321	**9%**	18%	**-2%**
HUSKY ENERGY		**2,793**	3,462	**5%**	12%	**-19%**
FINANCE AND INVESTMENTS		**8,681**	6,239	**15%**	22%	**39%**
HUTCHISON TELECOMMUNICATIONS INTERNATIONAL ("HTIL")		**23**	1,025	**-**	4%	**-98%**
EARNINGS BEFORE INTEREST EXPENSE AND TAXATION ("EBIT") AND BEFORE THE FOLLOWING		**32,380**	29,096	**57%**	102%	**11%**
CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	3	**5,302**	(1,705)	**9%**	-6%	**411%**
PROFIT ON DISPOSAL OF INVESTMENTS AND OTHERS	1	**19,181**	1,083	**34%**	4%	**1671%**
EBIT OF ESTABLISHED BUSINESSES		**56,863**	28,474	**100%**	100%	**100%**
3 GROUP						
LBITDA OF 3 GROUP BEFORE PREPAID CAC EXPENSE	2	**(7,291)**	(11,571)			**37%**
- Depreciation		**(8,447)**	(4,015)			**-110%**
- Amortisation of licence fee		**(5,669)**	(2,185)			**-159%**
- Amortisation of postpaid CAC		**(6,501)**	(501)			**-1198%**
LBIT OF 3 GROUP BEFORE THE FOLLOWING		**(27,908)**	(18,272)			**-53%**
- Prepaid CAC expensed from adopting new accounting standard	3	**(8,423)**	(917)			**-819%**
- Amortisation of postpaid CAC from adopting new accounting standard	3	**(1,165)**	(496)			**-135%**
LBIT OF 3 GROUP BEFORE PROFIT ON DISPOSAL OF INVESTMENTS AND OTHERS		**(37,496)**	(19,685)			**-90%**
- Profit on disposal of investments and others		**-**	7,810			**-**
LBIT OF 3 GROUP		**(37,496)**	(11,875)			**-216%**
TOTAL EBIT		**19,367**	16,599			**17%**
INTEREST EXPENSE AND OTHER FINANCE COSTS						
- Company and subsidiary companies		**(11,050)**	(7,715)			**-43%**
- Share of associated companies and jointly controlled entities		**(1,662)**	(1,853)			**10%**
		(12,712)	(9,568)			**-33%**
PROFIT BEFORE TAXATION		**6,655**	7,031			**-5%**
TAXATION *						
- Current taxation		**(3,776)**	(2,758)			
- Deferred taxation		**6,818**	5,854			
		3,042	3,096			**-2%**
PROFIT AFTER TAXATION		**9,697**	10,127			**-4%**
MINORITY INTERESTS		**6,431**	1,550			**315%**
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**16,128**	11,677			**38%**

* Includes share of associated companies and jointly controlled entities

Note 1: Profit on disposal of investments and others comprise the following:

	2004	2003
Profit on disposal of remaining interests in Procter & Gamble - Hutchison	**13,759**	-
Profit on partial disposal of Hutchison Global Communications Holdings	**1,300**	-
Profit on partial disposal of HTIL	**4,100**	-
Provision for certain infrastructure joint ventures in the Mainland	**(791)**	-
Profit on disposal of equity investments in Vodafone and Deutsche Telekom	**-**	2,627
Profit on disposal of European water businesses	**-**	1,683
Loss on write-off of Global Crossing convertible preferred shares	**-**	(3,111)
Release of provisions previously made against equity investments and others	**813**	(116)
	19,181	1,083

Note 2: Includes 2G and 3G operations in Australia and 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland.

Note 3: The results of 2003 have been restated to reflect the Group's adoption, with retrospective effect where applicable, of Hong Kong Financial Reporting Standard 3 "Business Combinations", Hong Kong Accounting Standard 36 "Impairment of Assets", Hong Kong Accounting Standard 38 "Intangible Assets" and Hong Kong Accounting Standard 40 "Investment Property" and Interpretation 22 "The Appropriate Accounting Policies for Infrastructure Facilities". The effect of the adoption of these standards, which align Hong Kong accounting standards with International Financial Reporting Standards, reduces EBIT and profit attributable to shareholders for the year ended 31 December 2003 by HK$3,519 milion and HK$2,701 million respectively.