CHEUNG KONG (HOLDINGS) LIMITED

(*Incorporated in Hong Kong with limited liability*)

(Stock code: 001)

THE CHAIRMAN'S STATEMENT FOR 2005

HIGHLIGHTS

	2005	2004 (Restated)*	Change
	HK$ Million	HK$ Million	
Profit before share of results of Hutchison Whampoa Group	**6,829**	4,216	+62%
Share of profit of Hutchison Whampoa Group	**7,166**	6,484	+11%
Profit attributable to shareholders	**13,995**	10,700	+31%
Earnings per share	**HK$6.04**	HK$4.62	+31%
Dividends per share	**HK$2.00**	HK$1.80	+11%

* Please refer to explanatory note (6) to the Consolidated Profit and Loss Account and Consolidated Balance Sheet.

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2005 amounted to HK$13,995 million (2004 (restated) - HK$10,700 million). Earnings per share were HK$6.04 (2004 (restated) - HK$4.62).

DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK$1.58 per share in respect of 2005, to shareholders whose names appear on the Register of Members of the Company on 18th May, 2006. This together with the interim dividend of HK$0.42 per share gives a total of HK$2.00 per share for the year (2004 - HK$1.80 per share). The proposed final dividend will be paid on 23rd May, 2006 following approval at the Annual General Meeting.

PROSPECTS

Building Quality Assets
-- the pillar for future growth

Solid Growth in 2005

"2005 was another year of solid operating and financial performance for the Group. It was a year in which our growth momentum strengthened, our pace of expansion accelerated, and our asset value continued to grow. Timely opportunities were seized to realise the underlying value of the Group's quality businesses, adding significant value for shareholders."

The Group's profit before share of results of the Hutchison Whampoa Group increased by 62% for the year of 2005. This solid growth was contributed by all of the Group's core businesses as they continued to improve upon operational efficiency and deliver a steady performance.

Property Business

Hong Kong enjoyed favourable economic conditions during the year under review. Despite the growing pressure from high oil prices and rising interest rates, real GDP growth of 7.3% was recorded as solid export growth and domestic demand continued to support a steady recovery. Positive indicators such as declining unemployment and modest inflation also point to an optimistic outlook for Hong Kong's economy.

Activity in the local property market slowed down in the second half of 2005 as the impact of interest rate increases started to influence market sentiment. However, this modest correction was welcome as it is conducive to the long-term healthy growth of the market. Housing demand remains strong as buyers' confidence is bolstered by strengthening economic prospects and rising income. With interest rate rises likely to be moderate despite any further possible increases in the United States, we expect the local property market to gather momentum again as accumulated purchasing power is released.

The Group's property operations have continued to expand and solid progress was achieved in project design, management, construction and marketing. In 2005, the volume of sales secured and the price levels achieved for the Group's quality projects were better than expected despite the market consolidation in the latter part of the year. This reflects a strong market recognition of the Group's focus on quality and the success of its innovative marketing concepts.

In December 2005, the Group completed the disposal of some of its interests in seven commercial properties in Hong Kong to Prosperity Real Estate Investment Trust ("Prosperity REIT"), the first private sector REIT in Hong Kong. Units of Prosperity REIT were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16th December last year. Through this transaction, the underlying value of the Group's prime properties was realised, and the Group will benefit from a rationalised asset portfolio and improved cost efficiency. The Group will continue to examine further investment and financing opportunities with good value creation potential as part of its longstanding policy to maximise shareholders' returns.

Rental rates continue to grow as the market is underpinned by strong demand for rental space. To strengthen our solid base of recurrent earnings growth, the Group will continue to enhance its rental portfolio with high quality commercial properties and hotels, while also seeking further opportunities to rationalise its portfolio.

To strengthen our long-term growth capability through active landbank replenishment is always at the core of the Group's strategic framework. We closed 2005 with a number of land acquisitions across Hong Kong, the Mainland and overseas markets. With the addition of various premier sites in good locations for commercial and/or residential purposes, our sizeable quality landbank is sufficient for development over the next five to six years, providing a strong platform for growth in the medium and long term.

The Group's quality land portfolio across various cities in the Mainland has significantly increased in recent years, and large-scale development plans of these prime sites are underway. It is expected that these developments will further accelerate our pace of expansion and strengthen our market position in the Mainland. We have also accelerated efforts to strengthen our presence in overseas markets such as Singapore and the United Kingdom, and good progress has been made in areas of land acquisition and project development, making the Group one of the major foreign developers in these markets. We will continue to actively take advantage of opportunities which arise in the Mainland and overseas to expand in terms of geographical breadth and market depth, leveraging our sound financials, extensive experience and strong brand recognition.

Listed Affiliated Companies

In 2005, positive results were reported for all the core businesses of the Hutchison Whampoa Group encompassing ports and related services, property and hotels, retail, energy, infrastructure, finance and investments and telecommunications. We anticipate that this good performance will be sustained in 2006 as the positive momentum looks set to continue. Solid growth was achieved by the 3G business in 2005 with the customer base expanding at a brisk pace and market coverage continuing to extend. The **3** Group's capital expenditure is expected to decline significantly in 2006 and improved earnings performance will follow. As a whole, the **3** Group's target is to achieve positive EBITDA after all customer acquisition costs for 2006. Further improvement in performance is expected in 2007, with a key target being to achieve positive EBIT for the year. A primary objective of the Hutchison Whampoa Group has been to enhance shareholders' returns by establishing the real value of its quality businesses. The Hutchison Whampoa Group will continue to study the possible listing of suitable businesses at the right time and under optimal market conditions to get the best possible returns for shareholders.

Cheung Kong Infrastructure Holdings Limited ("CKI") reported continued growth momentum for the year under review, and an overall good performance was achieved in 2005. A sizeable gain from the listing of Spark Infrastructure Group significantly boosted CKI's profits and strengthened its balance sheet. Building on its strong position in the infrastructure industry and formidable financial resources, CKI looks forward to continued growth by further expanding its market presence and making more quality acquisitions. Hongkong Electric Holdings Limited ("Hongkong Electric") reported a solid performance in 2005 primarily driven by the continued success of its overseas diversification strategy. Hongkong Electric will continue to build on its strong financial position and expertise to explore new business opportunities which offer stable returns with manageable risks.

New Tech Ventures

In 2005, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") continued to strengthen its R&D platform following a prudent and disciplined approach to development. Business scale and reach was further extended through overseas acquisitions, strengthening CK Life Sciences' position and quickly establishing a momentum of sales and profit growth. This will continue in 2006 following another milestone achievement – the acquisition in January of an 80% stake in Vitaquest International Holdings LLC, a nutraceutical company based in the United States. This acquisition will further strengthen CK Life Sciences' core business and accelerate its global development. CK Life Sciences has every confidence in the potential of its businesses to deliver sustainable growth in performance, particularly in the area of health-related and nutraceutical businesses.

Other new tech businesses of the Group are progressing well as expected. The major pillars for growth – sound financial resources and professional expertise – are firmly in place, and our value-added projects are poised to generate returns when their capacity for value creation and profitability comes to fruition.

Promising Growth Ahead

"Looking ahead to 2006, China's robust growth and Hong Kong's steady economic recovery are expected to continue. As a visionary and responsive conglomerate, the Cheung Kong Group is at the forefront of the strengthening economy to seize new growth opportunities, while staying alert to possible challenges from increasing global competition. Our continued pursuit of a superior portfolio of diversified assets and investments places us in a stronger position to drive exciting new growth."

Changes in oil prices and interest rates will continue to be the major uncertainties facing Hong Kong in the coming year. However, the effect of any negative impact could be offset by solid domestic demand boosted by increasing consumer and business confidence. With oil prices likely to stabilise at the prevailing levels, and interest rate rises likely to be moderate despite any further possible increases in the United States, it is expected that the local economy led by export trade and domestic demand will continue to gather strength in 2006.

The Mainland's ability to simultaneously achieve rapid economic growth and low inflation was demonstrated last year. Real GDP growth of more than 9% was recorded, and all major sectors have continued to improve in line with the stated targets of the macroeconomic control programme. The 11th Five Year Plan has set out the growth roadmap for the Mainland's economic development over the next five years. This blueprint will help further transform the landscape of the Mainland's economy, steering it towards a more healthy development, and a more promising future.

Hong Kong is well positioned to continue to benefit from China's robust economic growth and rapid development. Hong Kong should continue to concentrate on strengthening its economic integration with the Mainland in order to capture the attractive opportunities ahead. Its ability to achieve sustainable economic growth will be dependent on its strategic positioning in the integration and its ability to create new growth platforms.

The Cheung Kong Group remains cautiously optimistic on global economic prospects in 2006, and is prepared to take advantage of opportunities as they arise to drive future growth. With our strong global presence, well-established reputation, sound financials, talented management team, as well as the all-encompassing outlook and commitment to excellence, we are confident in our ability to meet all the challenges ahead and achieve further success. The Cheung Kong Group has complete confidence in the growth prospects of its diversified businesses spanning 54 countries around the globe.

Acknowledgement

During the year, Mr. George Magnus retired as Deputy Chairman and an Executive Director of the Company. He has been an instrumental force in supporting the tremendous growth of the Group over the last 26 years. We would like to take this opportunity to express our gratitude for his dedication and contribution, and look forward to the benefit of Mr. Magnus' expertise and experience as a Non-executive Director of the Company.

The Group has made remarkable strides in global expansion. We take this opportunity to extend our thanks to our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service and contributions during the year.

Li Ka-shing
Chairman

Hong Kong, 23rd March, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2005:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
The Pacifica Phases 1 and 2	New Kowloon Inland Lot No. 6275	144,260	50%
Caribbean Coast Carmel Cove	Tung Chung Town Lot No. 5	122,250	Joint Venture
Caribbean Coast Caribbean Bazaar	Tung Chung Town Lot No. 5	5,000	Joint Venture
Harbourview Horizon All-Suite Hotel	Kowloon Inland Lot No. 11103	119,280	100%
St. Paul's Terrace	No. 42A MacDonnell Road	820	100%
Guangzhou International Toys & Gifts Center Phase 1	Guangzhou	99,040	30%
Horizon Cove Phase 3B	Zhuhai	84,190	50%
Laguna Verona Phase C	Dongguan	34,030	49.84%
Regency Park Phase III	Pudong Huamu, Shanghai	32,700	50%

2. Developments in Progress and Scheduled for Completion in 2006:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Central Park Towers Phase 1	Tin Shui Wai Town Lot No. 24	98,800	98.47%
Harbourfront Horizon All-Suite Hotel	Kowloon Inland Lot No. 11110	107,400	100%
The Legend at Jardine's Lookout	The Remaining Portion of Inland Lot No. 8972	47,300	100%
Metro Town Phase 1	Tseung Kwan O Town Lot No. 73, Area 73b	123,430	Joint Venture
Seasons Palace	The Remaining Portion of Lot No. 2286 in D.D. 106 Kam Sheung Road, Kam Tin, Yuen Long	8,210	100%
Cape Coral Phase 2 and Commercial	Panyu Dashi, Guangzhou	95,740	50%
Changchun Project Phase 1	Jing Yue Tan, Changchun	66,000	50%
The Greenwich Phase I	Yao Jia Yuan, Beijing	213,800	50%
Horizon Cove Phase 4	Zhuhai	99,570	50%
Laguna Verona Phase E and Phase G Stage 1	Dongguan	146,000	49.84%
Maison d'artiste Phase 1	Gubei, Shanghai	9,770	50%
Nanan Project Commercial Phase 1	Chongqing Nanan	38,960	47.50%

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Regency Park Phases IIA and IV to VII	Pudong Huamu, Shanghai	94,870	50%
Huangsha Underground Railway Station Development Commercial	Guangzhou	87,010	50%
Seasons Villas Phases 4A and 6B	Pudong Huamu, Shanghai	2,310	50%
One Raffles Quay	Marina Boulevard Singapore	148,530	33.33%

3. New Acquisitions and Joint Developments and Other Major Events:

Hong Kong

(1) February 2005: The acquisition of the entire issued share capital of and the benefit of the debts owed by The Kowloon Hotel Limited, the registered owner of The Kowloon Hotel at Nathan Road, Tsim Sha Tsui, Kowloon by an indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group was completed on 1st February, 2005.

(2) February 2005: A wholly owned subsidiary of the Group executed a development agreement with MTR Corporation Limited for the development at Area 86, Tseung Kwan O, Site F of Tseung Kwan O Town Lot No. 70. The land has an aggregate area of approximately 14,200 sq. m. and is planned for a residential and commercial development estimated to have a total developable gross floor area of about 139,800 sq. m.

(3) April 2005: The Group acquired the site at 81 Broadcast Drive, New Kowloon Inland Lot No. 5099. With an area of approximately 4,200 sq. m., the site is designated for a residential development.

(4) May 2005: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group executed the land grant with the Government for the exchange of Lot No. 2064 in D.D. 121, Hung Shui Kiu, Yuen Long. The site has an area of approximately 16,200 sq. m. with a total developable gross floor area of about 49,800 sq. m. for residential purposes.

(5) May 2005: The Group acquired the site at 16-18 Conduit Road, Section A of Inland Lot No. 711. With an area of approximately 590 sq. m., the site is designated for a residential development.

(6) June 2005: The Group implemented the joint development plan with the owner (the “Owner”) of the site at 15-17 Oil Street, Section A and Extension of Inland Lot No. 7106, North Point. A lease modification letter has been executed by the Owner for the development of the site into hotel and commercial properties. The land has an area of approximately 6,800 sq. m. and a total developable gross floor area of about 43,100 sq. m.

(7) August 2005: The Group acquired the site at Nos. 106-114 Kwok Shui Road and Nos. 61-69 Yau Ma Hom Road, Kwai Chung Town Lot No. 157. With an area of approximately 4,600 sq. m., the site is designated for a residential development.

(8) November 2005: The Group entered into sale and purchase agreements with respect to the sale of some of the Group's interests in seven commercial properties in Hong Kong, namely The Metropolis Tower, MLC Millennia Plaza, Harbourfront Landmark, Modern Warehouse, Trendy Centre, Prosperity Center and New Treasure Centre, to Prosperity Real Estate Investment Trust ("Prosperity REIT"), a unit trust established in Hong Kong. The disposal of interests in those commercial properties was completed on 16th December, 2005.

(9) December 2005: A wholly owned subsidiary of the Group subscribed for 232,432,533 units of Prosperity REIT at the offer price of HK$2.16 per unit in the initial public offering, representing approximately 18.58% of the total units of Prosperity REIT in issue immediately following such subscription. After exercise of the over-allotment options by the underwriters, this subsidiary reduced its unitholdings in Prosperity REIT to approximately 14.09% of the total units of Prosperity REIT in issue at the material time. The units of Prosperity REIT were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16th December, 2005.

(10) December 2005: The Group acquired the site at No. 3 Tsing Yung Street, Tuen Mun Town Lot No. 334. The site has an area of approximately 1,220 sq. m. with a total developable gross floor area of about 4,000 sq. m. for residential purposes.

(11) February 2006: A wholly owned subsidiary of the Group executed a development agreement with MTR Corporation Limited for the development at Area 86, Tseung Kwan O, Site AB of Tseung Kwan O Town Lot No. 70. With an aggregate area of approximately 31,500 sq. m., the site is earmarked for a residential development with kindergarten estimated to have a developable gross floor area of about 310,000 sq. m.

(12) During the year under review, the Group continued to acquire agricultural land with potential for development. Some of these sites are under varying stages of design and planning applications.

The Mainland and Overseas

(13) February 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group was established for the purpose of owning and developing two pieces of land located at Maqiao Town, Minhang District, Shanghai, the Mainland. The sites have an aggregate area of approximately 260,100 sq. m. and are planned to be developed into residential properties.

(14) March 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group acquired a piece of land located at Wenjiang District, Chengdu, Sichuan Province, the Mainland. The land has an area of approximately 373,000 sq. m. and is earmarked for a residential and commercial development.

(15) April 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group was established for the purpose of owning and developing the land located at Wangcheng County, Changsha, the Mainland. The land has an area of approximately 556,000 sq. m. and is designated for residential purposes.

(16) April 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group was established for the purpose of owning and developing the land located at Jing Yue Tan Tourist Economic Development Zone, Changchun, the Mainland. The land has an aggregate area of approximately 827,000 sq. m. and is planned for a residential and commercial development.

(17) May 2005: The Group and the Hutchison Whampoa Group established two 50/50 joint venture companies to own and develop two pieces of land located at Jiang Han District, Wuhan, the Mainland. With an area of approximately 31,900 sq. m. and 132,000 sq. m. respectively, the two sites will be developed into residential and commercial properties.

(18) May 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group entered into an agreement to acquire the premises known as the Convoys Wharf located at Deptford, London, the United Kingdom. With an aggregate area of approximately 16 hectares, the site will be redeveloped into a mixed residential and commercial project.

(19) May 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group entered into a sino-foreign co-operative joint venture with Tianjin Metro General Corp. for the development of the land located at Yingkou Dao, Tianjin, the Mainland. The land has an area of approximately 19,600 sq. m. and is planned for commercial and residential developments.

(20) May 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group entered into an agreement to acquire the land in the Administrative Region of Bei Xin Village, Changping District, Beijing, the Mainland. The land has a buildable area of approximately 254,700 sq. m. and is earmarked for a residential development.

(21) June 2005: A 50/50 joint venture company of the Group and the Hutchison Whampoa Group acquired a piece of land located at Douxi District of the Economic and Technological Development Park, New Northern Zone, Chongqing, the Mainland. Designated for residential and commercial purposes, the site has a buildable area of approximately 440,000 sq. m.

(22) July 2005: A joint tender for certain parcels of land at Marina Boulevard/Central Boulevard, Singapore ("Marina Bay Land") submitted by a 50/50 joint venture company of the Group and the Hutchison Whampoa Group together with two other consortium partners, each has a one-third interest, was awarded. Phase 1 of land parcel A of the Marina Bay Land is planned for the development of a business and financial centre.

(23) August 2005: A wholly owned subsidiary of the Group launched an issue of Japanese Yen Bonds with a five years' term in Japan in an aggregate principal amount of JPY33 billion which has been swapped into US$.

(24) September 2005: Four 50/50 joint venture companies of the Group and the Hutchison Whampoa Group entered into the agreements to acquire four pieces of land located at Zengcheng City, Guangzhou, the Mainland respectively. With an area of approximately 51 hectares, 49 hectares, 49 hectares, and 53 hectares respectively, the four sites will be developed into residential properties.

(25) December 2005: A 25/25/50 joint venture company of the Group, the Hutchison Whampoa Group and Li Ka Shing (Overseas) Foundation was established for the purpose of owning and developing a piece of land located at Century Avenue, Pudong District, Shanghai, the Mainland. The land has an area of approximately 50,850 sq. m. and is planned to be developed into commercial, cultural and office properties.

(26) February 2006: A new joint venture company equally owned by the Group and the Hutchison Whampoa Group was established to form another joint venture with a party in the Mainland to own and develop 4 pieces of land with an aggregate area of approximately 225,550 sq. m. at Jinkeng Village, Zhongxin Town (Zhenlong), Guangzhou, the Mainland for development into residential properties.

(27) February 2006: An indirect 50/50 joint venture company of the Group and the Hutchison Whampoa Group acquired 50% of the issued share capital of, and the benefits of the debts owed by, Circadian (CH) Limited ("CCH") and Circadian Limited ("CHL") respectively. CCH is the owner and developer of a piece of freehold property on the north side of Chelsea Harbour Drive, Chelsea Harbour Estate, Fulham, London, England and CHL is the owner and developer of the land together with all buildings from time to time thereon situated at and known as the Lots Road Power Station, Lots Road, Chelsea, London, England.

(28) During the year under review, the Group's property projects in the Mainland and overseas are on schedule, both in terms of sales and leasing.

Property Sales

Turnover of property sales for the year, including share of property sales of jointly controlled entities, was HK$12,904 million (2004 – HK$17,015 million), a decrease of HK$4,111 million when compared with last year, and comprised mainly the sale of residential units of Harbourfront Landmark, One Beacon Hill and The Portofino, all completed in previous years, and the sale of residential units of property projects completed during the year, including The Pacifica, Carmel Cove of Caribbean Coast and St. Paul's Terrace in Hong Kong. Approximately 82% of the residential units completed during the year were sold as of the year end date.

Contribution from property sales, including share of results of jointly controlled entities, was HK$3,306 million (2004 – HK$1,577 million), an increase of HK$1,729 million when compared with last year. Contribution margins increased significantly from last year, as the Hong Kong economy strengthened and growing demand for residential properties in Hong Kong during the year lifted the selling prices and profit margins of the Group's property projects. Selling prices for Harbourfront Landmark and Caribbean Coast in particular made a good recovery from their previously written down values.

Contribution from property sales for 2006 will mainly be derived from the sale of residential units of Seasons Palace, The Legend at Jardine's Lookout, Metro Town Phase 1 and Central Park Towers Phase 1 upon their completion in Hong Kong, together with several other property projects in the Mainland which are scheduled for completion.

During the year, the presale of residential units of Seasons Palace, The Legend at Jardine's Lookout and Metro Town Phase 1 was launched. The results were very successful and as at the year end, more than 80% of the residential units of these projects have been presold.

Property Rental

Turnover of the Group's property rental for the year was HK$590 million (2004 – HK$568 million), an increase of HK$22 million when compared with last year mainly due to increases in rental rates in Hong Kong during the year, the effect of which had been partly offset by the disposal of some minor rental properties during the year. The Group's existing investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 31% and 37% respectively of the turnover of the Group's property rental for the year.

Contribution from property rental, including share of results of jointly controlled entities, was HK$901 million (2004 – HK$852 million), an increase of HK$49 million when compared with last year. Contribution from jointly controlled entities continued to increase as good occupancy and rental rates were reported by various investment properties in Hong Kong and in the Mainland, despite the divestment of commercial units at Waldorf Garden and City One Shatin in Hong Kong during the first half year.

Prior to the year end, seven industrial/office properties in Hong Kong owned by the Group and jointly controlled entities were sold to Prosperity Real Estate Investment Trust. The divestment of these properties had no material impact on the Group's turnover and contribution from property rental for the year.

At the balance sheet date, the Group recorded an increase in fair value of investment properties of HK$1,776 million based on professional valuation, and shared an increase in fair value of investment properties of HK$1,165 million of jointly controlled entities.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites for the year was HK$642 million (2004 – HK$605 million), an increase of HK$37 million when compared with last year. This increase in turnover was mainly driven by improved economic conditions in Hong Kong and an increased number of tourist arrivals.

Contribution from hotels and serviced suites, including share of results of jointly controlled entities, was HK$275 million (2004 (restated) – HK$121 million), an increase of HK$154 million when compared with last year. Operating results of hotels and serviced suites, both in Hong Kong and in the Mainland, improved from last year with good occupancy and room rates being achieved which helped to offset the effect of depreciation charges on hotel and serviced suite properties following a change in accounting policy.

During the year, the acquisition of The Kowloon Hotel, of which the Group has a 50% interest, was completed and the new Rambler Garden Hotel, of which the Group has a 30% interest, had its grand opening. The operating results of these two hotels, located in Hong Kong, were satisfactory and were instrumental in the significant increase in contribution from jointly controlled entities during the year.

Prior to the year end, the Harbourview Horizon All-Suite Hotel was completed, while the Harbourfront Horizon All-Suite Hotel was completed in early 2006. Both hotels are located in Hong Kong and will make contribution to group profit in 2006.

Benefiting from the improving economic conditions in Hong Kong and in the Mainland, the Group's hotel and serviced suite operations will continue to make a good contribution.

Property and Project Management

Turnover of property and project management for the year was HK$222 million (2004 – HK$243 million), a decrease of HK$21 million when compared with last year mainly due to a decrease in project management services rendered by the Group upon completion of various joint venture projects.

Contribution from property and project management was HK$98 million (2004 – HK$88 million), an increase of HK$10 million when compared with last year. This increase in contribution was mainly attributable to an increase in property management services provided by the Group. While the contribution from property management is not significant, the Group is committed to providing top quality services to properties under our management. At the year end, the total floor area under the Group's property management was approximately 79 million square feet and this is expected to grow steadily following the gradual completion of the Group's property projects in the years ahead.

Major Associates

The Hutchison Whampoa Group, a listed associate, reported profit attributable to shareholders for the year ended 31st December, 2005 of HK$14,343 million (2004 (restated) – HK$12,978 million).

The CK Life Sciences Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2005 of HK$12,234,000 (2004 (restated) – loss of HK$3,968,000).

FINANCIAL REVIEW

Liquidity and Financing

During the year, the Group issued notes with two to ten years' terms in Hong Kong under the retail note issuance programme in the total amount of HK$2.9 billion, and launched an issue of Japanese Yen Bonds with a five years' term in Japan in an aggregate principal amount of JPY33 billion which has been swapped into US$. During the year, the Group also redeemed notes upon maturity in the total amount of HK$3.1 billion. At the balance sheet date, outstanding bonds and notes issued by the Group amounted to HK$9.3 billion.

Together with bank loans of HK$13.3 billion, the Group's total borrowings at the balance sheet date were HK$22.6 billion, an increase of HK$1.6 billion from last year end date. The maturity profile is spread over a period of ten years, with HK$3.9 billion repayable within one year, HK$18.2 billion within two to five years and HK$0.5 billion beyond five years.

At the balance sheet date, the Group's gearing ratio remained low at 7.7% (2004 (restated) – 9.7%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK$8.3 billion) over shareholders' funds.

With cash and marketable securities in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. At the balance sheet date, approximately 87.5% of the Group's borrowings were in HK$ (or swapped into HK$) with the balance in US$ (or swapped into US$) mainly for the purpose of financing projects outside Hong Kong. While the Group derives its revenue mainly in HK$, cash balances and marketable securities are maintained mainly in HK$ or US$, and the Group ensures that its exposure to fluctuations in foreign exchange rates is minimised.

The Group's borrowings are principally on a floating rate basis. For the fixed rate or equity linked bonds and notes issued by the Group, swaps arrangements have been in place to convert the rates and related terms to a floating rate basis in effect.

When appropriate and at times of interest rate or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of exposure to interest rate and foreign exchange rate fluctuations.

Charges on Assets

At the balance sheet date, certain subsidiaries of the Group in the Mainland pledged assets of joint ventures with aggregate carrying value of HK$1,120 million (2004 (restated) – HK$1,115 million) to secure bank loan facilities utilised by the joint ventures with other partners.

Contingent Liabilities

At the balance sheet date, the Group's contingent liabilities were as follows:

(1) share of contingent liability of a jointly controlled entity in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 44 years amounted to HK$4,494 million;

(2) guarantee provided for the minimum share of revenue receivable by the other party of a joint venture project in a period of 40 years amounted to HK$672 million; and

(3) guarantees provided for bank loans utilised by jointly controlled entities and investee company amounted to HK$4,731 million (2004 – HK$3,597 million) and HK$19 million (2004 – HK$21 million) respectively.

Employees

At the balance sheet date, the Group employed approximately 7,100 employees for its principal businesses. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$1,038 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2005.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Kwan Chiu Yin, Robert (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Mr. Cheong Ying Chew, Henry. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's annual results for the year ended 31st December, 2005 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 18th May, 2006 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 11th May, 2006 to Thursday, 18th May, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 10th May, 2006.

Consolidated Profit and Loss Account

For the year ended 31st December, 2005

	2005	2004 (Restated)
	HK$ Million	HK$ Million
Group turnover	**6,171**	12,149
Share of property sales of jointly controlled entities	**8,187**	6,282
Turnover	**14,358**	18,431
Group turnover	**6,171**	12,149
Investment and other income	**942**	2,259
Operating costs		
Property and related costs	**(3,640)**	(10,176)
Salaries and related expenses	**(649)**	(615)
Interest and other finance costs	**(347)**	(350)
Other expenses	**(325)**	(391)
	(4,961)	(11,532)
Share of net profit of jointly controlled entities	**3,288**	938
Increase in fair value of investment properties	**1,776**	678
Operating profit	**7,216**	4,492
Share of net profit of associates	**7,248**	6,510
Profit before taxation	**14,464**	11,002
Taxation	**(259)**	(230)
Profit for the year	**14,205**	10,772
Profit attributable to minority interests	**(210)**	(72)
Profit attributable to shareholders	**13,995**	10,700
Dividends		
Interim dividend paid	**973**	880
Final dividend proposed	**3,659**	3,289
	4,632	4,169
Earnings per share	**HK$6.04**	HK$4.62
Dividends per share		
Interim dividend	**HK$0.42**	HK$0.38
Final dividend	**HK$1.58**	HK$1.42

Consolidated Balance Sheet

As at 31st December, 2005

	2005	2004 (Restated)
	HK$ Million	HK$ Million
Non-current assets		
Fixed assets	**9,612**	7,385
Investment properties	**11,710**	10,545
Associates	**126,281**	124,444
Jointly controlled entities	**22,849**	21,259
Investments available for sale	**7,169**	7,619
Long term loans	**403**	1,245
	178,024	172,497
Current assets		
Stock of properties	**27,106**	25,812
Debtors, deposits and prepayments	**1,338**	2,254
Investments held for trading	**1,014**	1,040
Derivative financial instruments	**435**	-
Bank balances and deposits	**8,310**	4,033
	38,203	33,139
Current liabilities		
Bank and other loans	**3,904**	3,139
Creditors and accruals	**2,416**	2,663
Derivative financial instruments	**193**	-
Provision for taxation	**564**	553
Net current assets	**31,126**	26,784
Total assets less current liabilities	**209,150**	199,281
Non-current liabilities		
Bank and other loans	**18,683**	17,907
Deferred tax liabilities	**544**	428
	19,227	18,335
Net assets	**189,923**	180,946
Representing:		
Share capital	**1,158**	1,158
Share premium	**9,331**	9,331
Reserves	**174,673**	165,312
Shareholders' funds	**185,162**	175,801
Minority interests	**4,761**	5,145
Total equity	**189,923**	180,946

Notes:

(1) *Turnover of the Group by operating activities for the year are as follows:*

	2005 **HK$ Million**	2004 HK$ Million
Property sales	***4,717***	*10,733*
Property rental	***590***	*568*
Hotels and serviced suites	***642***	*605*
Property and project management	***222***	*243*
Group turnover	***6,171***	*12,149*
Share of property sales of jointly controlled entities	***8,187***	*6,282*
Turnover	***14,358***	*18,431*

Turnover of jointly controlled entities (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

During the year, the Group's overseas operating activities (including property sales of jointly controlled entities) were mainly in the Mainland and Singapore which accounted for approximately 10% and 5% of the turnover respectively.

Profit contribution by operating activities for the year are as follows:

	Company and subsidiaries		***Jointly controlled entities***		***Total***	
	2005 HK$ Million	*2004 HK$ Million*	***2005 HK$ Million***	*2004 HK$ Million*	***2005 HK$ Million***	*2004 HK$ Million*
Property sales	***1,269***	*845*	***2,037***	*732*	***3,306***	*1,577*
Property rental	***470***	*451*	***431***	*401*	***901***	*852*
Hotels and serviced suites	***129***	*56*	***146***	*65*	***275***	*121*
Property and project management	***98***	*88*	***-***	*-*	***98***	*88*
	1,966	*1,440*	***2,614***	*1,198*	***4,580***	*2,638*
Investment and finance					***779***	*1,610*
Interest and other finance costs					***(347)***	*(350)*
Increase in fair value of investment properties						
Subsidiaries					***1,776***	*678*
Jointly controlled entities					***1,165***	*12*
Others					***102***	*199*
Taxation (excluding share of taxation of listed associates)					***(1,021)***	*(497)*
Profit attributable to minority interests					***(210)***	*(72)*
					6,824	*4,218*
Share of net profit/(loss) of listed associates						
Hutchison Whampoa Limited					***7,166***	*6,484*
CK Life Sciences Int'l., (Holdings) Inc.					***5***	*(2)*
Profit attributable to shareholders					***13,995***	*10,700*

(2) *Profit before taxation is arrived at after charging/(crediting):*

	2005 HK$ Million	*2004 HK$ Million*
Interest and other finance costs	**738**	*449*
Less: Amount capitalised	**(391)**	*(99)*
	347	*350*
Costs of properties sold	**3,205**	*9,123*
Depreciation	**166**	*202*
Profit on disposal of investments available for sale	**(27)**	*(118)*
Profit on disposal of investment properties	**(288)**	*(15)*
Profit on disposal of jointly controlled entities	**(162)**	*-*

(3) *Hong Kong profits tax has been provided for at the rate of 17.5% (2004 - 17.5%) on the estimated assessable profits for the year. Overseas tax has been provided for at the applicable local rates on the estimated assessable profits of the individual company concerned. Deferred tax has been provided on temporary differences using the current applicable rates.*

	2005 HK$ Million	*2004 HK$ Million*
Company and subsidiaries		
Hong Kong profits tax	**137**	*154*
Overseas tax	**(1)**	*2*
Deferred tax	**123**	*74*
	259	*230*

(4) *The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2004 – 2,316,164,338 shares) in issue during the year.*

(5) *The Group's trade debtors mainly comprise receivables for sale of properties and rental. Sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sale of properties are normally completed when the sale prices are fully paid and deferred payment terms are sometimes offered to purchasers at a premium. Rentals are payable in advance by tenants.*

Ageing analysis of the Group's trade debtors at the balance sheet date is as follows:

	2005 HK$ Million	*2004 HK$ Million*
Current to one month	**841**	*714*
Two to three months	**29**	*8*
Over three months	**22**	*30*
	892	*752*

Ageing analysis of the Group's trade creditors at the balance sheet date is as follows:

	2005	*2004*
	HK$ Million	*HK$ Million*
Current to one month	***140***	*494*
Two to three months	***12***	*15*
Over three months	***8***	*9*
	160	*518*

(6) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has already early adopted some of the HKFRSs in the preparation of financial statements for the year ended 31st December, 2004. The adoption of the other effective HKFRSs has resulted in the following changes in the accounting policies for (i) hotel and serviced suite properties; and (ii) investments in securities:

(i) In prior years, hotel and serviced suite properties, which are held for operation, were stated at cost less provision for impairment where appropriate. No depreciation was provided based on the properties' high residual values if the unexpired lease terms were over 20 years.

Following the adoption of HK Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" which concludes that the residual value of land held under an operating lease would typically be zero and the residual value of a building situated on leasehold land will highly likely be insignificant relative to the depreciable amount, hotel and serviced suite properties, which are held for operation, are stated at cost less depreciation and provision for impairment.

This change in accounting policy has been applied retrospectively.

(ii) In prior years, investments in securities intended to be held on a continuing basis, which are not investments in subsidiaries, jointly controlled entities or associates, were classified as investment securities and were carried at cost less provision for impairment where appropriate. Results of these investments were included in the profit and loss account only to the extent of dividends and interests received and receivable. Other investments were stated at fair values in the balance sheet. Changes in fair value were dealt with in the profit and loss account.

Following the adoption of HKAS 39 "Financial Instruments: Recognition and Measurement", investments which are not subsidiaries, jointly controlled entities or associates are classified as either investments held for trading or investments available for sale, and are stated at fair values in the balance sheet. For investments held for trading, changes in fair value are included in the profit and loss account; and for investments available for sale, changes in fair value are dealt with in the reserves.

This change in accounting policy has been applied prospectively from 1st January, 2005. The difference between the carrying amounts of investment securities and their fair values at 31st December, 2004 has been adjusted to retained profits at 1st January, 2005.

The above changes in the accounting policies have the following effects on the financial statements:

	Hotel and serviced suite properties		Investments in securities		Total	
	Year ended 31st December		Year ended 31st December		Year ended 31st December	
	2005	2004	**2005**	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Decrease in investment and other income	**-**	-	**(199)**	-	**(199)**	-
Increase in depreciation	**(102)**	(101)	**-**	-	**(102)**	(101)
Decrease in share of net profit of jointly controlled entities	**(52)**	(32)	**-**	-	**(52)**	(32)
Decrease in share of net profit of associates	**-**	-	**(140)**	-	**(140)**	-
Decrease in taxation	**10**	9	**-**	-	**10**	9
Decrease in profit attributable to minority interests	**19**	20	**-**	-	**19**	20
Decrease in profit attributable to shareholders	**(125)**	(104)	**(339)**	-	**(464)**	(104)
Decrease in earnings per share	**HK$(0.05)**	HK$(0.05)	**HK$(0.15)**	-	**HK$(0.20)**	HK$(0.05)

	Hotel and serviced suite properties		Investments in securities		Total	
	31/12/2005	31/12/2004	**31/12/2005**	31/12/2004	**31/12/2005**	31/12/2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Decrease in fixed assets	**(557)**	(455)	**-**	-	**(557)**	(455)
Increase in associates	**-**	-	**19**	-	**19**	-
Decrease in jointly controlled entities	**(139)**	(87)	**-**	-	**(139)**	(87)
Increase in investments available for sale	**-**	-	**631**	-	**631**	-
Decrease in deferred tax liabilities	**43**	33	**-**	-	**43**	33
Increase/(decrease) in net assets	**(653)**	(509)	**650**	-	**(3)**	(509)
Increase/(decrease) in retained profits at 1st January	**(422)**	(318)	**815**	-	**393**	(318)
Increase in investment revaluation reserve	**-**	-	**174**	-	**174**	-
Decrease in profit attributable to shareholders	**(125)**	(104)	**(339)**	-	**(464)**	(104)
Decrease in minority interests	**(106)**	(87)	**-**	-	**(106)**	(87)
Increase/(decrease) in total equity	**(653)**	(509)	**650**	-	**(3)**	(509)

The adoption of the new and revised HKFRSs by Hutchison Whampoa Limited and CK Life Sciences Int'l., (Holdings) Inc. has material effects on its profit attributable to shareholders, various balance sheet items and opening balance of shareholders' funds. The Group's share of these effects has the following impact on the financial statements:

	Year ended 31st December	
	2005	*2004*
	HK\$ Million	*HK\$ Million*
Decrease in share of net profit of associates	***(1,888)***	*(1,576)*
Decrease in profit attributable to shareholders	***(1,888)***	*(1,576)*
Decrease in earnings per share	***HK\$(0.82)***	*HK\$(0.68)*

	31/12/2005	*31/12/2004*
	HK\$ Million	*HK\$ Million*
Decrease in associates	***(7,198)***	*(3,942)*
Decrease in net assets	***(7,198)***	*(3,942)*
Decrease in retained profits at 1st January	***(5,310)***	*(2,366)*
Decrease in profit attributable to shareholders	***(1,888)***	*(1,576)*
Decrease in total equity	***(7,198)***	*(3,942)*

In summary, the Group's profit attributable to shareholders was decreased by HK\$2,352 million for the year ended 31st December, 2005 and was decreased by HK\$1,680 million for the year ended 31st December, 2004 (restated from HK\$12,380 million to HK\$10,700 million); retained profits at 1st January, 2005 and 1st January, 2004 were decreased by HK\$4,917 million and HK\$2,684 million respectively; and earnings per share for the years ended 31st December, 2005 and 31st December, 2004 were decreased by HK\$1.02 and HK\$0.73 respectively.

The adoption of the new and revised HKFRSs has also resulted in changes in the presentation of the financial statements and certain comparative figures have been restated to conform with the current year's presentation and basis of preparation.

At the balance sheet date, some of the HKFRSs were in issue but not yet effective. The Group has already commenced an assessment of the impact of these HKFRSs and adoption of these HKFRSs when they become effective is not expected to result in substantial changes to the principal accounting policies.

(7) *The annual results have been reviewed by the Audit Committee.*

The Directors *(Note)* of the Company as at the date of this announcement are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin-ning, Canning, Mr. Frank John SIXT, Mr. CHOW Kun Chee, Roland and Mr. George Colin MAGNUS as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna, Mr. KWAN Chiu Yin, Robert and Mr. CHEONG Ying Chew, Henry as Independent Non-executive Directors.

Note: Other than Chairman, Managing Director and Deputy Managing Directors, order by date of appointment, and in the case of Non-executive Directors ("NED")／Independent Non-executive Directors ("INED"), order by date of appointment as NED／INED.

Please also refer to the published version of this announcement in The Standard dated 24/03/2006.