



CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 0001)

THE CHAIRMAN'S STATEMENT FOR 2006

HIGHLIGHTS

	2006	2005	Change
	HK\$ Million	HK\$ Million	
Profit before share of results of Hutchison Whampoa Group	8,068	6,829	+18%
Share of profit of Hutchison Whampoa Group	10,007	7,166	+40%
Profit attributable to shareholders	18,075	13,995	+29%
Earnings per share	HK\$7.80	HK\$6.04	+29%
Dividend per share	HK\$2.20	HK\$2.00	+10%

PROFIT FOR THE YEAR

The Group's audited profit attributable to shareholders for the year ended 31st December, 2006 amounted to HK\$18,075 million (2005 - HK\$13,995 million). Earnings per share were HK\$7.80 (2005 - HK\$6.04).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.74 per share in respect of 2006, to shareholders whose names appear on the Register of Members of the Company on 17th May, 2007. This together with the interim dividend of HK\$0.46 per share gives a total of HK\$2.20 per share for the year (2005 - HK\$2.00 per share). The proposed final dividend will be paid on 22nd May, 2007 following approval at the Annual General Meeting.

PROSPECTS

Shaping the Future

Solid Business Growth

“2006 marked another year of solid progress for the Group. A number of significant investment and expansion initiatives delivered good results, with the Group well positioned to generate continued long-term growth and better value for shareholders.”

The Group's profit before share of results of the Hutchison Whampoa Group increased by 18% for 2006. This positive performance reflects progress across the various core businesses of the Group.

Property Business : Achieve Continued Growth

The general economic environment was positive in 2006 as oil prices receded to more reasonable levels, interest rates stabilised, and the global economy maintained its growth momentum. In Hong Kong, robust economic growth was recorded for the third consecutive year with real GDP increasing by 6.8%. Domestic demand and exports continued to be the twin drivers of growth. In particular, strong private consumption and investment was seen against the backdrop of declining unemployment, rising income, and an extremely buoyant finance sector.

A slowdown in property activities was recorded in the first half of 2006 due to the anticipated rises in interest rates and in part to the lack of major new launches by developers. However, the steady pick-up of transactions in the latter part of 2006 was a clear sign of improving market sentiment. We anticipate a stable property market in 2007 with moderate upward pressure on property prices as buyer's confidence is positively impacted by stable lending rates and an optimistic outlook for Hong Kong's economy.

Our property activities are progressing well and on schedule, with all development and expansion initiatives being effectively planned and managed. Property sales in 2006 were in line with our stated target, and projects for sale in 2007 are progressing as scheduled. The Group's continuing sound results reflect not only its proven ability to respond rapidly, flexibly and creatively to market developments and customer needs, but also its commitment to quality of life and conservation by employing environmentally-friendly concepts and technologies in project planning, construction, and management.

In 2006, we achieved significant progress in landbank expansion by completing a series of quality land acquisitions. Our landbank comprises a diversified portfolio of prime sites with high development potential, providing an excellent platform to contribute significantly to property development in Hong Kong over the next five to six years. Our financial strength and market knowledge give us the capacity to further expand our landbank, and position us for growth in the future.

The Group's investment property portfolio and its recurrent earnings base continued to expand during the year with the addition of a quality commercial property and the launch of new hotels. We will continue to add value to our rental portfolio by acquiring superior investment properties when suitable opportunities arise.

The total number of hotel rooms and serviced suites of the properties directly or indirectly owned by the Group and by the Hutchison Whampoa Group, including those under construction, is approximately 18,000 of which about 12,000 hotel rooms and serviced suites are within properties located in Hong Kong, with the remainder outside of Hong Kong.

The Mainland continues to be the major focus of the Group's expansion outside Hong Kong. Despite the various measures introduced to regulate land supply and property activities, long-term growth prospects for the Mainland's property market remain positive as it is supported by solid fundamentals and strong underlying demand. We will continue to capitalise on the Mainland's growth opportunities by following a disciplined approach to investment and development.

We increased our other overseas expansion activities during the year by strengthening our presence as a leading provider of quality properties in Singapore and the United Kingdom. Following the acquisition made in early 2007 pursuant to an option in respect of the land parcel at Marina Bay, Singapore, a significant addition was made to the landbank of the Group. Apart from land acquisition, solid results were also recorded in construction, and sales and marketing. We are confident that we are on track to benefit from the high growth potential of these markets and deliver attractive returns to shareholders.

Listed Affiliated Companies: Deliver Solid Progress

Overall, both the Hutchison Whampoa Group's established businesses and the 3 Group recorded growth and improved results in 2006. During the year, the 3 Group reported narrowing losses from the continued growth in its customer base and revenue, reflecting a successful strategy of capturing higher-value contract customers. The 3 Group is continuing to improve its operating cost structure and is moving towards achieving its operating targets. Its management is continuing to target achieving positive monthly EBITDA after deducting all customer acquisition costs on a sustainable basis during the first half of 2007 and positive monthly EBIT on a sustainable basis during 2008. The Hutchison Whampoa Group will benefit from the cash dividend following the anticipated completion of the sale of the entire interest in the mobile business in India.

2006 marked the beginning of the second decade of Cheung Kong Infrastructure Holdings Limited ("CKI") as a listed company. In general terms, CKI's businesses in the key markets of Hong Kong, the Mainland, Australia and the United Kingdom have all performed well during the year. While CKI's Australian asset base was reduced as a result of the divestment of part of its Australian electricity businesses to Spark Infrastructure Group in December 2005, its overall profit generation capacity has not diminished. On the whole, CKI's investments have exceeded expectations, enabling it to deliver continued recurring profit and dividend growth to its shareholders. CKI has laid very solid foundations and has ample resources to fund future expansion.

The year 2006 saw continued challenges for the electricity business in Hong Kong of Hongkong Electric (Holdings) Limited ("Hongkong Electric"). However, supply reliability was not compromised and was maintained at a world class level of over 99.999%. Its international operations continued to perform well during the year and the overall results were in line with expectations. Hongkong Electric will continue to look for investment opportunities in other parts of the world in order to increase earnings and to reduce the proportion of its earnings derived from the electricity operations in Hong Kong.

2006 was a very exciting year for CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") with notable achievements on all fronts. Steady sales growth by the environmental and health businesses, and a meaningful contribution from recent acquisitions supported CK Life Sciences' strong financial performance for the year. 2006 was also notable for the expansion of the *Adrien Gagnon* (or "AG") nutraceutical brand following its international launch, firstly in Hong Kong and then in the Netherlands. CK Life Sciences will continue to pursue organic growth of its core businesses in health and environmental sustainability by leveraging its experience and expertise in the biotech sector, and will continue to explore acquisition opportunities to further enhance its growth and add value to its shareholders.

New Growth Opportunities

"We see exciting growth in the future and the Group is well placed to capitalise on the opportunities which will arise in the years ahead. Our solid foundations and international scope, excellent reputation and financial strength will enable the Group to strengthen its competitive position globally, and drive sustainable growth in 2007 and beyond."

Looking into 2007, prospects for the global economy remain steady and China's rapid development will continue to drive worldwide economic growth. While the pace of growth in the United States is forecast to moderate, barring unforeseeable circumstances, significant fluctuations in interest rates seem unlikely, with reductions more likely than increases.

China is maintaining its rapid economic expansion, with GDP growth reaching 10.7% in 2006, double-digit growth for the fourth consecutive year. Strong growth accompanied by moderate inflation is expected to continue in 2007, and the overall economy is in good shape on its path to achieving stated macroeconomic targets. Various tightening measures and increased efforts to fine-tune the Mainland's economic structure and growth patterns are conducive to its healthy development and to achieving long-term sustainable growth.

Hong Kong's positive growth trend is predicted to continue in 2007. We remain optimistic about Hong Kong's long-term economic prospects as it is poised to benefit from the positive global economic environment and the Mainland's robust growth momentum. However, Hong Kong must be proactive to capitalise on the enormous opportunities arising from the Mainland's rapid expansion by building on its existing advantages, positioning itself for closer economic integration with the Mainland, and contributing its part to the nation's development. We have every confidence in Hong Kong's ability to move in this direction.

The Cheung Kong Group is firmly rooted in Hong Kong and with operations spanning 56 countries worldwide, and will continue to capture new opportunities arising from the Mainland's extraordinary growth. In an ever-changing and increasingly competitive environment, we need to constantly innovate, assess risks, draw on our experience and creativity, and raise our efficiency in order to meet new challenges and seize new opportunities. We have complete confidence in the Group's ability to shape the future as we have all the right ingredients in place to drive long-term sustainable growth, and to create ever increasing value for shareholders.

Acknowledgement

In this extremely competitive global environment, we are proud to have intelligent, creative, dedicated and loyal employees, the Group's most valuable asset. We take this opportunity to thank 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, 22nd March, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2006:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
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	Tseung Kwan O Town Lot No. 73, Area 73B Tseung Kwan O	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%
Caribbean Coast Crystal Cove	Tung Chung Town Lot No. 5	61,680	Joint Venture
Cape Coral Phase 2 and Commercial	Panyu Dashi, Guangzhou	95,210	50%
The Greenwich Phases IA and IB	Yao Jia Yuan, Beijing	131,000	50%
Regency Park Phases IV and V	Pudong Huamu, Shanghai	35,550	50%
Seasons Villas Phase 6B	Pudong Huamu, Shanghai	810	50%
One Raffles Quay	Marina Boulevard Singapore	148,530	33.33%

2. Developments in Progress and Scheduled for Completion in 2007:

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
The Apex and Hotel Development	The Remaining Portion of Kwai Chung Town Lot No. 467	74,340	100%
Central Park Towers Phase 1	Tin Shui Wai Town Lot No. 24	98,800	98.47%
Le Point	Tseung Kwan O Town Lot No. 73, Area 73B Tseung Kwan O	130,338	Joint Venture
Sausalito	Sha Tin Town Lot No. 487	70,030	100%
Cape Coral Phase 1	Nanan, Chongqing	39,738	47.5%
Changchun Project Phase 1	Jing Yue Tan, Changchun	57,826	50%
The Greenwich Commercial	Yao Jia Yuan, Beijing	2,377	50%
Chengdu Project Phase 1A	Wenjiang, Chengdu	91,275	50%
The Greenwich Phase 1A	Xian	113,902	50%
Le Parc Phase 1A	Chengdu	70,565	50%
Maison des Artistes Phases 1 to 3C and Commercial	Gubei, Shanghai	112,120	50%
Regency Park Phases IIA and VI	Pudong Huamu, Shanghai	31,481	50%
The Metropolitan Plaza	Guangzhou	87,018	50%
Seasons Villas Phase 4A	Pudong Huamu, Shanghai	1,500	50%
Kerry Everbright City Phases IIA and IIB	Zhabei District, Shanghai	150,200	24.75%

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

Hong Kong

- (1) February 2006: A wholly owned subsidiary of the Group executed a development agreement with MTR Corporation Limited (“MTR”) 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.
- (2) April 2006: A wholly owned subsidiary of the Group entered into a development agreement with Kowloon-Canton Railway Corporation for the development at Tai Wai Maintenance Centre of the Ma On Shan Rail. With an area of approximately 70,600 sq. m., the site is planned for a residential development with a total developable gross floor area of approximately 313,960 sq. m. Construction work involving a developable gross floor area of about 200,750 sq. m. is due to commence. The remaining portion comprising a developable gross floor area of about 113,210 sq. m. is under planning.
- (3) June 2006: A wholly owned subsidiary of the Group entered into a sale and purchase agreement with Nan Fung Development Limited (“Nan Fung”) to dispose of the Group’s 15% interest in the development at Area 86, Tseung Kwan O, Site AB of Tseung Kwan O Town Lot No. 70 to Nan Fung for a total consideration of approximately HK\$678 million.
- (4) June 2006: The Group entered into a sale and purchase agreement for the acquisition of 29% of the issued share capital of The Ming An Insurance Company (Hong Kong) Limited for a consideration of approximately HK\$607 million. The Ming An Group was listed on The Stock Exchange of Hong Kong Limited in December 2006 and after completion of the listing, the Group holds approximately 21% interest in the Ming An Group.
- (5) November 2006: The Group successfully bid for Sha Tin Town Lot No. 548, Area 77, Ma On Shan, Sha Tin at a Government auction. With an area of approximately 16,440 sq. m., the site is designated for a residential development estimated to have a developable gross floor area of approximately 82,200 sq. m.
- (6) November 2006: A wholly owned subsidiary of the Group entered into a sale and purchase agreement with MTR for the acquisition of the whole of the commercial development with a developable gross floor area of approximately 16,800 sq. m. and the whole of the commercial car park at Tseung Kwan O Town Lot No. 73 (the “Project TKOTL73”).

- (7) December 2006: A wholly owned subsidiary of the Group entered into a sale and purchase agreement with Nan Fung to dispose of 20% of the Group's interest in the Project TKOTL73 to Nan Fung.
- (8) February 2007: A wholly owned subsidiary of the Group acquired 90 Repulse Bay Road, Section A and the Remaining Portion of Rural Building Lot No. 177. With a site area of approximately 3,300 sq. m., the site is designated for a residential development.
- (9) During the year under review, the Group continued to acquire properties and agricultural land with potential for development. Some of the properties and agricultural land are under varying stages of design and planning applications.

The Mainland and Overseas

- (10) 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.
- (11) 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 thereon situated at and known as the Lots Road Power Station, Lots Road, Chelsea, London, England.
- (12) June 2006: A 45/45 joint venture company of the Group and the Hutchison Whampoa Group together with an independent third party entered into an agreement for the confirmation of bid result, redevelopment and payment of the bid price in respect of bidding of a piece of land with an area of approximately 386,207 sq. m. located at Xiao Gang Wan, Qingdao, the Mainland (the “Land”). Pursuant to the above agreement, the joint venture company agreed to acquire an area of approximately 311,780 sq. m., representing approximately 81% of the total area of the Land and the land use right thereof, which is planned for development into residential and commercial properties.
- (13) October 2006: A wholly owned subsidiary of the Group issued S\$400 million Guaranteed Fixed Rates Notes in Singapore comprising S\$200 million Guaranteed Fixed Rate Notes due 2009 and S\$200 million Guaranteed Fixed Rate Notes due 2011.
- (14) October 2006: A joint venture company equally owned by the Group and the Hutchison Whampoa Group entered into agreements with independent third parties to acquire and jointly develop (through a wholly foreign owned enterprise to be established by the joint venture company) a piece of land with an area of approximately 80,000 sq. m. at Lujiazui, Pudong New District, Shanghai, the Mainland for development into properties for commercial and related purposes.

- (15) January 2007: The Group, the Hutchison Whampoa Group and an independent third party were successful in the bid for a piece of land with an area of approximately 177,262 sq. m. at Zhen Ru Fu Zhong Xin (A3-A6), Putuo District, Shanghai, the Mainland. A sino-foreign equity joint venture company will be established by the Group, the Hutchison Whampoa Group and the independent third party with effective equity interests of 49.2%, 50.4% and 0.4% respectively, for acquiring and developing the land into commercial and residential properties.
- (16) February 2007: 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, exercised an option, granted in their favour under a joint tender in July 2005, to purchase the remainder of Land Parcel 662 at Marina Boulevard/Central Boulevard, Singapore (“Phase 2 of Marina Bay Land”) with a maximum permissible gross floor area of 194,000 sq. m. Phase 2 of Marina Bay Land is planned for the development of a residential development and an office development.
- (17) During the year under review, the Group’s property projects in the Mainland and overseas were 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\$13,796 million (2005 – HK\$12,904 million), an increase of HK\$892 million when compared with last year, and comprised mainly the sale of residential units of The Pacifica in Hong Kong and Cairnhill Crest in Singapore, both completed in previous years, and the sale of residential units of property projects completed during the year, including Metro Town, Seasons Palace and The Legend at Jardine's Lookout in Hong Kong and Cape Coral Phase 2, Regency Park Phases IV and V and The Greenwich Phases IA and IB in the Mainland. Approximately 84% of the residential units of these projects 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\$5,583 million (2005 – HK\$3,306 million), an increase of HK\$2,277 million when compared with last year. The contribution margin for property sales recognised during the year was, in aggregate, better than last year as demand for residential properties in Hong Kong remained strong, particularly in the luxury sector, as interest rates became more stable in the second half year.

Contribution from property sales for 2007 will mainly be derived from the sale of residential units of The Apex, Sausalito, Le Point and Central Park Towers Phase 1 in Hong Kong and several other property projects in the Mainland which are scheduled for completion.

During the year, the presale of residential units of The Apex, Sausalito and Le Point was launched and, as at the year end, over 70% of the residential units of these projects have been presold.

Property Rental

Turnover of the Group's property rental for the year was HK\$624 million (2005 – HK\$590 million), an increase of HK\$34 million when compared with last year mainly due to increases in rental rates in Hong Kong during the year, the effect of which was partly offset by the disposal of several industrial/office properties in Hong Kong to Prosperity Real Estate Investment Trust at the end of last year. The Group's existing investment properties comprise mainly retail shopping malls and commercial office properties in Hong Kong which accounted for approximately 30% and 42% 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\$936 million (2005 – HK\$901 million), an increase of HK\$35 million when compared with last year. During the year, increased occupancy and rental rates were reported by most of the investment properties in Hong Kong and the Mainland, and their increase in contribution offset the absence of contribution from various investment properties which were divested last year. With the completion of One Raffles Quay during the year, a commercial property in Singapore of which the Group has a 33⅓% interest, and the acquisition of the commercial portion of Metro Town in Hong Kong before the year end, of which the Group has a 80% interest, the contribution from property rental will be enhanced in the coming year.

At balance sheet date, the Group recorded an increase in the fair value of investment properties of HK\$1,936 million based on a professional valuation, and shared an increase in the fair value of investment properties of HK\$564 million of jointly controlled entities.

Hotels and Serviced Suites

Turnover of the Group's hotels and serviced suites for the year was HK\$729 million (2005 – HK\$642 million), an increase of HK\$87 million when compared with last year. The increase in turnover was mainly attributable to increased occupancy and room rates as economic conditions in Hong Kong and the Mainland were good and the number of tourist arrivals continued to grow during the year.

Contribution from hotels and serviced suites, including share of results of jointly controlled entities, was HK\$367 million (2005 – HK\$275 million), an increase of HK\$92 million when compared with last year. During the year, satisfactory operating results were reported by the Group's hotels and serviced suites both in Hong Kong and the Mainland, and contribution from jointly controlled entities increased significantly from last year as Harbour Plaza Metropolis and The Kowloon Hotel in Hong Kong and Grand Hyatt Beijing in the Mainland all had good performance.

During the second half year, the Harbourview Horizon All-Suite Hotel and the Rambler Oasis Hotel, of which the Group has a 100% interest and a 30% interest respectively, had their grand opening. Furthermore, the Harbourfront Horizon All-Suite Hotel, of which the Group has a 100% interest, was completed during the year and will commence operation shortly. These hotel and serviced suite properties are located in Hong Kong and stand to benefit from the growing tourist arrivals in Hong Kong.

Property and Project Management

Turnover of property and project management for the year was HK\$197 million (2005 – HK\$222 million), of which income from property management was HK\$144 million (2005 – HK\$137 million), an increase of HK\$7 million when compared with last year, and income from project related services was HK\$53 million (2005 – HK\$85 million), a decrease of HK\$32 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 management was HK\$83 million (2005 – HK\$80 million), an increase of HK\$3 million when compared with last year. Contribution from project related services was lower following the decrease in project management services rendered by the Group during the year.

The Group is committed to providing high quality services to properties under our management. At the year end, the total floor area under the Group's property management was approximately 81 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, 2006 of HK\$20,030 million (2005 – HK\$14,343 million).

The CK Life Science Group, another listed associate, reported profit attributable to shareholders for the year ended 31st December, 2006 of HK\$102,022,000 (2005 – HK\$12,234,000).

FINANCIAL REVIEW

Liquidity and Financing

During the year, the Group obtained a loan of HK\$4 billion from a joint development partner to finance the payment of land premium of a joint development project. The Group also issued notes with a ten-year term in Hong Kong under the retail note issuance programme in the amount of HK\$150 million and issued Singapore Dollar Fixed Rates Notes with three-year and five-year terms in Singapore in an aggregate principal amount of SGD400 million. During the year, the Group also redeemed notes upon maturity in the total amount of HK\$909 million. At balance sheet date, outstanding bonds and notes issued by the Group amounted to HK\$10.6 billion.

Together with bank loans of HK\$23.9 billion, the Group's total borrowings at balance sheet date were HK\$38.5 billion, an increase of HK\$15.9 billion from the end of last year. The maturity profile is spread over a period of ten years, with HK\$6.9 billion repayable within one year, HK\$31 billion within two to five years and HK\$0.6 billion beyond five years.

At balance sheet date, the Group's gearing ratio was approximately 17.3%, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$3.8 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 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\$) and SGD 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 balance sheet date, certain subsidiaries of the Group in the Mainland pledged assets of joint ventures with aggregate carrying value of HK\$1,138 million (2005 – HK\$1,120 million) to secure bank loan facilities utilised by the joint ventures with other partners.

Contingent Liabilities

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

- (1) share of contingent liability of jointly controlled entity in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 43 years amounted to HK\$4,488 million;
- (2) guarantees provided for the minimum share of revenue/profit receivable by other partners of joint development projects amounted to HK\$1,422 million (2005 – HK\$672 million); and
- (3) guarantees provided for bank loans utilised by jointly controlled entities amounted to HK\$3,701 million (2005 – HK\$4,731 million).

Employees

At 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\$1,111 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions 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 maintenance 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, 2006.

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. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Ms. Hung Siu-lin, Katherine. 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, 2006 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The 2007 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, 17th May, 2007 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, 10th May, 2007 to Thursday, 17th May, 2007, 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 4:30 p.m. on Wednesday, 9th May, 2007.

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 (*also Alternate to Mr. Simon Murray*), Mr. CHEONG Ying Chew, Henry and Mr. KWAN Chiu Yin, Robert 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.

**Consolidated Profit and Loss Account
For the year ended 31st December, 2006**

	2006	2005
	HK\$ Million	HK\$ Million
Group turnover	10,951	6,171
Share of property sales of jointly controlled entities	4,395	8,187
Turnover	<u>15,346</u>	<u>14,358</u>
Group turnover	10,951	6,171
Investment and other income	1,306	942
Operating costs		
Property and related costs	(4,908)	(3,640)
Salaries and related expenses	(696)	(649)
Interest and other finance costs	(589)	(347)
Other expenses	(392)	(325)
	(6,585)	(4,961)
Share of net profit of jointly controlled entities	1,673	3,288
Increase in fair value of investment properties	1,936	1,776
Operating profit	9,281	7,216
Share of net profit of associates	10,211	7,248
Profit before taxation	19,492	14,464
Taxation	(1,213)	(259)
Profit for the year	18,279	14,205
Profit attributable to minority interests	(204)	(210)
Profit attributable to shareholders	<u>18,075</u>	<u>13,995</u>
Dividends		
Interim dividend paid	1,065	973
Final dividend proposed	4,031	3,659
	<u>5,096</u>	<u>4,632</u>
Earnings per share	HK\$7.80	HK\$6.04
Dividends per share		
Interim dividend	HK\$0.46	HK\$0.42
Final dividend	HK\$1.74	HK\$1.58

Consolidated Balance Sheet
As at 31st December, 2006

	2006 HK\$ Million	2005 HK\$ Million
Non-current assets		
Fixed assets	10,222	9,612
Investment properties	14,508	11,710
Associates	134,358	126,281
Jointly controlled entities	24,130	22,849
Investments available for sale	8,674	7,169
Long term loans	251	403
	<u>192,143</u>	<u>178,024</u>
Current assets		
Stock of properties	45,857	27,106
Debtors, deposits and prepayments	6,634	1,338
Investments held for trading	1,223	1,014
Derivative financial instruments	162	435
Bank balances and deposits	3,782	8,310
	<u>57,658</u>	<u>38,203</u>
Current liabilities		
Bank and other loans	6,872	3,904
Creditors and accruals	2,998	2,416
Derivative financial instruments	456	193
Provision for taxation	1,265	564
	<u>46,067</u>	<u>31,126</u>
Net current assets	<u>46,067</u>	<u>31,126</u>
Total assets less current liabilities	<u>238,210</u>	<u>209,150</u>
Non-current liabilities		
Bank and other loans	27,609	18,683
Loan from joint development partner	4,000	-
Deferred tax liabilities	920	544
	<u>32,529</u>	<u>19,227</u>
Net assets	<u>205,681</u>	<u>189,923</u>
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	189,933	174,673
Shareholders' funds	<u>200,422</u>	<u>185,162</u>
Minority interests	5,259	4,761
Total equity	<u>205,681</u>	<u>189,923</u>

Notes:

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

	2006 HK\$ Million	2005 HK\$ Million
Property sales	9,401	4,717
Property rental	624	590
Hotels and serviced suites	729	642
Property and project management	197	222
Group turnover	<u>10,951</u>	<u>6,171</u>
Share of property sales of jointly controlled entities	4,395	8,187
Turnover	<u><u>15,346</u></u>	<u><u>14,358</u></u>

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 16% and 14% of the turnover respectively.

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

	Company and subsidiaries		Jointly controlled entities		Total	
	2006 HK\$ Million	2005 HK\$ Million	2006 HK\$ Million	2005 HK\$ Million	2006 HK\$ Million	2005 HK\$ Million
Property sales	4,513	1,269	1,070	2,037	5,583	3,306
Property rental	533	470	403	431	936	901
Hotels and serviced suites	150	129	217	146	367	275
Property and project management	84	98	-	-	84	98
	<u>5,280</u>	<u>1,966</u>	<u>1,690</u>	<u>2,614</u>	<u>6,970</u>	<u>4,580</u>
Investment and finance					1,077	779
Interest and other finance costs					(589)	(347)
Increase in fair value of investment properties						
Subsidiaries					1,936	1,776
Jointly controlled entities					564	1,165
Others					201	102
Taxation (excluding share of taxation of major listed associates)					(1,932)	(1,021)
Profit attributable to minority interests					(204)	(210)
					<u>8,023</u>	<u>6,824</u>
Share of net profit of major listed associates						
Hutchison Whampoa Limited					10,007	7,166
CK Life Sciences Int'l., (Holdings) Inc.					45	5
Profit attributable to shareholders					<u><u>18,075</u></u>	<u><u>13,995</u></u>

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

	2006 HK\$ Million	2005 HK\$ Million
Interest and other finance costs	1,392	738
Less: Amount capitalised	(803)	(391)
	<u>589</u>	<u>347</u>
Costs of properties sold	3,752	3,205
Depreciation	172	166
Profit on disposal of investments available for sale	(491)	(27)
(Gain)/loss on investments held for trading	(225)	96
Profit on disposal of investment properties	-	(288)
Profit on disposal of jointly controlled entities	-	(162)
	<u><u>589</u></u>	<u><u>347</u></u>

(3) Hong Kong profits tax has been provided for at the rate of 17.5% (2005 - 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.

	2006 HK\$ Million	2005 HK\$ Million
Hong Kong profits tax	833	137
Overseas tax	4	(1)
Deferred tax	376	123
	<u><u>1,213</u></u>	<u><u>259</u></u>

(4) The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2005 - 2,316,164,338 shares) in issue during the year.

(5) Pursuant to the terms of a joint development project, the Group obtained a loan of HK\$4,000 million from the joint development partner to finance the payment of land premium of the joint development project. The loan is repayable, by two equal instalments, upon completion of phase 1 (or on 31st December, 2009, whichever is earlier) and phase 2 (or on 31st December, 2011, whichever is earlier) of the joint development project.

(6) 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:

	2006 HK\$ Million	2005 HK\$ Million
Current to one month	6,000	841
Two to three months	19	29
Over three months	10	22
	<u><u>6,029</u></u>	<u><u>892</u></u>

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

	2006 HK\$ Million	2005 HK\$ Million
Current to one month	214	140
Two to three months	30	12
Over three months	19	8
	<u><u>263</u></u>	<u><u>160</u></u>

(7) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on 1st January, 2006, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

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

Please also refer to the published version of this announcement in The Standard dated 23/3/2007.