Hutchison Whampoa Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 013)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS

	2006	2005 (As restated*)	
	HK$ millions	HK$ millions	Changes
Total revenue	**124,448**	109,081	+14%
EBIT from established businesses	**18,889**	16,899	+12%
LBIT of **3** Group	**(11,990)**	(20,024)	+40%
Consolidated Group EBIT	**32,181**	16,272	+98%
Profit attributable to shareholders	**18,800**	9,421	+100%
Earnings per share	**HK$4.41**	HK$2.21	+100%
Interim dividend per share	**HK$0.51**	HK$0.51	-

* See note 3 to the accounts

- Total revenue grew 14% to HK$124,448 million
- First half-year profit increased 100% to HK$18,800 million
- Earnings per share increased 100% to HK$4.41
- Recurring EBIT from the established businesses increased 12% to HK$18,889 million
- 3G customer base currently totals over 13.5 million worldwide
- 3G LBIT reduced by HK$8,034 million or 40% to HK$11,990 million

CHAIRMAN'S STATEMENT

The Group's core businesses overall reported improved and healthy growth in the first-half. The Group's total revenue grew 14% to HK$124,448 million, including HK$23,509 million from the **3** Group. Total revenue in the period increased despite a lower revenue contribution from Hutchison Telecommunications International ("HTIL"), which became a 49.8% owned associated company in the second half of last year. Recurring earnings before interest expense and finance costs, taxation and minority interests ("EBIT") from the Group's established businesses increased 12% to HK$18,889 million. The Group also acted to benefit from the recent substantial increase in the market valuation of its ports and related services division and in April completed a strategic placement of a 20% equity interest to the Port of Singapore Authority for a cash consideration of US$4,388 million and a profit on disposal of HK$24,380 million. Subsequent to this partial disposal, the Group holds an 80% equity interest in this division. The **3** Group's LBIT narrowed by HK$8,034 million to HK$11,990 million on continued growth in customers, sales and operating profitability.

Half-Year Results

The Group's profit attributable to shareholders for the first half-year amounted to HK$18,800 million, a 100% increase compared to last year's interim profit of HK$9,421 million. Earnings per share amounted to HK$4.41 (2005 – HK$2.21), an increase of 100%. These results include a profit on revaluation of investment properties of HK$1,690 million (2005 – HK$3,696 million), a profit on disposal of investments and other items totalling HK$23,361 million (2005 – HK$14,900 million), consisting of a profit on disposal of HK$24,380 million as mentioned above, a profit on disposal of the **3** UK data centres of HK$751 million, and a one-time charge of HK$1,770 million relating to the closure of listed Hutchison Telecommunications Australia's CDMA network and migration of its 2G customers to its **3** network.

An analysis by business segment of the Group's results showing the Group's revenue and EBIT, including the Group's share of associated companies' and jointly controlled entities' revenue and EBIT, is shown in Note 5 to the accounts.

Dividends

Your Directors have today declared an interim dividend of HK$0.51 per share (2005 – HK$0.51), payable on 6 October 2006 to those persons registered as shareholders on 5 October 2006. The share register of members will be closed from 28 September 2006 to 5 October 2006, both days inclusive.

Established Businesses

Ports and Related Services

The ports and related services division enjoyed another period of steady growth. Total revenue grew 7% to HK$15,360 million. The combined throughput increased 12% to 27.5 million TEUs (twenty-foot equivalent units) compared to the same period last year. The major contributors to throughput growth were: the Shanghai area ports, which reported growth of 45%; Yantian port of 18%; Kelang Multi Terminal in Malaysia of 24%; Panama ports container terminals of 39%; Freeport Container Port in the Bahamas of 26% and Internacional Contenedores Asociados de Veracruz in Mexico of 32%. EBIT increased 11% to HK$5,220 million. The major contributors to the improved EBIT performance were Yantian port, with an 18% increase, Shanghai area ports with 38% and also the other ports mentioned above, partially offset by lower contributions from the Hong Kong and UK ports and Europe Container Terminals in Rotterdam. This division contributed 15% and 28% respectively to the total revenue and EBIT of the Group's established businesses for the first six months of 2006.

The ports and related services division is continuing to expand its existing facilities in Yantian, Gaolan in Zhuhai, Rotterdam, Felixstowe in the UK, Panama, Laemchabang in Thailand and Oman, and other ports to meet the growing demand for container terminal services. In addition, the division continues to look for attractive new investment opportunities. In June, the division together with a local partner was awarded a 30-year concession by the Barcelona Port Authority in Spain to build and operate a new seven-berth container terminal, which will be developed in two phases over the next 10 years. Also in June, Gdynia Container Terminal in the Port of Gdynia, Poland, commenced its stage one container handling operation, which further enhances this division's presence in Northern Continental Europe. Currently, the division operates in five of the seven busiest container ports in the world, with interests in a total of 43 ports comprising 251 berths in 21 countries.

Property and Hotels

The property and hotels division reported another period of improved results, reflecting the strong Hong Kong and Mainland property markets and increased contributions from the Group's hotel businesses. Revenue totalled HK$4,966 million and EBIT totalled HK$1,949 million, 46% and 8% better than the comparable period last year respectively. This division contributed 5% and 10% to the total revenue and EBIT of the Group's established businesses respectively. Gross rental income of HK$1,339 million, mainly from properties in Hong Kong, was 11% higher than the same period last year, primarily due to increased rental income from investment properties in Hong Kong, reflecting higher lease renewal rates, particularly for office premises where demand is strong. The rental properties portfolio is 97% let. Although development profits declined compared to the same period last year, the variance was mainly due to the effect of the release of provisions in 2005 related to certain Hong Kong development properties. Excluding the effects of this write-back, development profits increased 303%. Development profits arose primarily from the sale of residential units of Cairnhill Crest in Singapore and various projects in the Mainland, namely Shanghai Regency Park, Guangzhou Cape Coral, Dongguan Laguna Verona and Zhuhai Horizon Cove. The property and hotels division continues to seek development opportunities, primarily in the Mainland where it has substantial joint venture landbank interests. The Group's share of this landbank can be developed into 73 million square feet of mainly residential properties, of which 94% is situated in the Mainland, 5% in the UK and overseas, and 1% in Hong Kong.

The Group's hotel operations reported EBIT 32% better than the same period last year, reflecting the continued growth in the Hong Kong hospitality industry and improving results at Our Lucaya resort in the Bahamas.

Retail

Total revenue for the Group's retail division was HK$45,712 million, a 15% increase, mainly due to contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, the two European luxury perfumeries and cosmetics chains acquired last year in April and August respectively, continued sales growth in the health and beauty chain stores in Europe and Asia, Watsons in the Mainland and also the supermarket sales growth of Park'N Shop in Hong Kong and the Mainland. EBIT from this division totalled HK$764 million, 13% below the comparable period last year, mainly due to the normal seasonal losses of the Marionnaud and The Perfume Shop operations which are included in the current period's results but not in the comparable period last year prior to their acquisition dates. Excluding these losses, the comparable EBIT decrease was 6%, mainly due to lower profits from the UK health and beauty businesses and the Hong Kong Fortress business, partially offset by improved results from health and beauty businesses in Europe and Park'N Shop in Hong Kong. This division contributed 46% and 4% respectively to the total revenue and EBIT of the Group's established businesses for the period.

During the period, the retail division continued to integrate its newly acquired businesses with its existing operations to achieve synergy, to consolidate its leading market position and also, cautiously, to expand its businesses, mainly by organic growth through new store openings in Eastern Europe and the Mainland. To further enhance its presence in the Eastern Europe emerging markets where steady growth in consumer sentiment continues, in July, the Group agreed to acquire, subject to certain conditions, a 65% interest in DC, a 99-store leading health and beauty chain in the Ukraine. During the period, the total number of retail outlets increased 4% and this division currently operates over 7,400 retail outlets in 36 markets.

Energy, Infrastructure, Finance & Investments and Others

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover of HK$2,392 million, 7% above the same period last year. Profit attributable to shareholders was HK$1,589 million compared to the HK$1,866 million reported in the same period last year, which included a one-time deferred taxation credit of HK$338 million. Excluding the effect of this one-time credit, the profit was higher than the comparable period. CKI contributed 7% and 14% respectively to the total revenue and EBIT of the Group's established businesses for the period.

Husky Energy ("Husky"), an associated company listed in Canada, continued to achieve impressive results. Revenue for the period reached C$6,144 million, a 38% increase, while profit attributable to shareholders reached C$1,502 million, 93% above the same period last year. These increases reflect higher crude oil and natural gas prices, increased production volume, and a non-recurring deferred tax benefit of C$328 million recognised due to recently legislated income tax rate reductions. After considering the continuing strong earnings and cashflow for the period, Husky declared a cash dividend of C$0.50 per share for the second quarter, a 100% increase from the first quarter of 2006. Husky contributed 14% and 22% respectively to the total revenue and EBIT from the Group's established businesses for the period.

During the period, Husky continued to expand its operations. Husky's Tucker Oil Sands development project in Alberta is on schedule with first oil targeted for the fourth quarter of 2006. Husky also acquired 38,240 acres of leases adjacent to its Saleski oil sands property, which increases its potential resources in place to approximately 20.8 billion barrels of original bitumen. In June, Husky announced a potentially significant natural gas discovery in the South China Sea, approximately 250 km south of Hong Kong, which based on its current interpretation of seismic and drilling results, could contain a potential recoverable resource of four to six trillion cubic feet of natural gas. As such, it would be one of the largest natural gas discoveries offshore China. Husky also recently announced a further significant oil well discovery in the western section of the White Rose oil field, which could contain potential recoverable gross resources of 40 to 90 million barrels of oil in addition to the existing estimated proved plus probable gross reserves of 240 million barrels.

The Group's EBIT from its finance & investments and others operations mainly represents interest income earned on the Group's substantial holdings of cash and liquid investments and the Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. EBIT for these operations, amounted to HK$2,891 million, an increase of 11%, mainly due to the dilution gain of HK$307 million realised on the initial public offering of Hutchison China MediTech on the Alternative Investment Market of the London Stock Exchange in May. These operations contributed 15% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments at 30 June 2006 totalled HK$130,065 million.

Hutchison Telecommunications International

Hutchison Telecommunications International, a listed associated company, announced turnover from continued operations of HK$15,666 million, a 48% increase over the comparable period last year, and a profit attributable to shareholders of HK$2 million, compared to a loss attributable to shareholders of HK$370 million in the first half of 2005. The 2005 interim results included a net loss from disposal of investments and others of HK$311 million, which mainly related to a loss on disposal of its business in Paraguay. Excluding the effect of this exceptional item in the prior period, the improvement in the comparable results was HK$61 million, mainly due to the strong growth in its mobile operations in India and Israel, the improved performance of its EBIT positive Hong Kong and Macau mobile operations and reduced losses incurred by its operation in Thailand, partially offset by start-up losses of the Vietnam and Indonesia businesses, which are building their networks. At 30 June 2006, HTIL had a consolidated mobile customer base of 23.5 million, a 39% increase since the beginning of the year, mainly due to strong growth in India. The Group's share of HTIL's turnover and EBIT amounted to 8% and 7% of the total revenue and EBIT of the Group's established businesses respectively.

Telecommunications – 3 Group

During the first half of the year, the **3** Group's financial performance continued to improve and losses incurred in all of the **3** Group businesses continued to narrow:

	For the six months ended 30 June 2006	2005	%
	HK$ millions		improvement
Revenue	**23,509**	17,256	+36%
EBITDA / (LBITDA) before all CACs	**4,211**	(633)	+765%
Expensed prepaid CACs	**3,086**	5,581	+45%
Reported EBITDA / (LBITDA) after expensed prepaid CACs	**1,125**	(6,214)	+652%
Loss before interest expense and finance costs, taxation and minority interests ("LBIT")	**(11,990)**	(20,024)	+40%

The Group's 3G customer base grew by 16% from 31 December 2005 to 30 June 2006. Total **3** Group's revenues grew by 36% to HK$23,509 million, compared to the first six months of 2005 and 17% compared to the last half of 2005. Average revenues per user on a trailing 12-month average active customer basis ("ARPU") remained robust and increased for the **3** Group overall from €42.20 reported at the end of last year to €44.66 at the end of June 2006, led by the improving quality of **3** UK's postpaid customer base. Average non-voice revenues per active user on a trailing 12-month average active customer basis also grew for the **3** Group as a whole, both in value, from €10.47 reported at the end of last year to €12.54 at the end of June 2006, and as a percentage of total ARPU, from 25% to 28% for the same periods.

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

Customer Base

	Registered Customers at 23 August 2006 ('000)			Registered Customer Growth (%) from 31 December 2005 to 30 June 2006		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	5,393	1,417	6,810	12%	31%	16%
UK & Ireland	1,525	2,225	3,750	0%	7%	4%
Sweden & Denmark	95	500	595	-8%	30%	22%
Austria	109	262	371	7%	24%	19%
Australia(1)	137	1,020	1,157	37%	63%	60%
3 Group Total	7,259	5,424	12,683	9%	24%	15%
Hong Kong(2)	9	633	642	0%	27%	27%
Israel(2)	-	194	194	NA	60%	60%
Total	7,268	6,251	13,519	9%	25%	16%

Revenue Base

	Revenue for the six months ended 30 June 2006 ('000)			Revenue Growth (%) compared to the six months ended 31 December 2005		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	€577,822	€464,936	€1,042,758	11%	21%	15%
UK & Ireland	£66,665	£633,673	£700,338	-13%	20%	16%
Sweden & Denmark	SEK28,523	SEK1,127,220	SEK1,155,743	-2%	26%	25%
Austria	€3,948	€76,984	€80,932	3%	18%	17%
Australia	A$29,773	A$334,605	A$364,378	75%	31%	33%
3 Group Total	€699,768	€1,786,138	€2,485,906	7%	21%	17%

12-month Trailing Average Revenue per Active User ("ARPU")(3) to 30 June 2006

	Total				Non-voice	
	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2005	ARPU	ARPU %
			Local Currency/HK$		Local Currency/HK$	
Italy	€25.73	€69.41	**€35.44 / 335**	2%	**€12.17 / 115**	34%
UK & Ireland	£15.49	£52.37	**£41.51 / 570**	20%	**£10.16 / 140**	25%
Sweden & Denmark	SEK59.72	SEK453.74	**SEK390.00 / 394**	2%	**SEK69.49 / 70**	18%
Austria	€18.38	€58.29	**€52.40 / 495**	-3%	**€8.47 / 80**	16%
Australia	A$43.91	A$78.10	**A$73.88 / 426**	-6%	**A$18.70 / 108**	25%
3 Group	€24.91	€66.70	**€44.66 / 422**	6%	**€12.54 / 119**	28%

Note 1: Active customers as announced by listed subsidiary HTAL as at 30 June updated for net customer additions to 23 August.
Note 2: Customers as announced by listed associate HTIL as at 16 August updated for net customer additions to 23 August.
Note 3: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers in the period, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding three months.

With the exception of **3** Italia, growth in the **3** Group's customer base was principally all in the higher-value postpaid segment. Although the cost of acquiring postpaid customers is typically higher than for prepaid customers, the **3** Group's average cost of acquiring a customer continued to decline. Measured on a 12-month trailing weighted average basis, average customer acquisition costs for the **3** Group decreased from €293 at 31 December 2005 to €262 at 30 June 2006.

Against these positive developments for the **3** Group, competition for customers was very strong in all markets, particularly in the UK, and as a result, customer churn for the **3** Group as a whole for the first-half was higher than management had expected, averaging 3.2% per month.

Highlights for the **3** Group's businesses during the first-half were as follows:

Italy

- Registered customers grew 16% during the first-half to total over 6.4 million at 30 June 2006 and has reached over 6.8 million at 23 August 2006.
- Revenue in local currency was 60% above the same period last year and 15% above the second half of last year.
- Earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") before expensed prepaid CACs increased 2,328%, a turnaround from the comparable LBITDA reported in the same period last year.
- Maintained positive EBITDA after both prepaid and postpaid CACs for the six months ended 30 June 2006.
- Implemented a network upgrade programme to rollout High Speed Downlink Packet Access ("HSDPA") on the entire network with coverage now available in most major cities.
- Commenced Digital Video Broadcast – Handheld ("DVB-H") Mobile Television services with initial coverage in 17 metropolitan areas. Full coverage of major cities is expected to be achieved by year end. The service launched with two channels produced by **3** Italia and seven channels supplied by RAI, Mediaset and Sky. The initial customer response has been good with over 145,000 customers at 23 August.

UK & Ireland

- **3** UK remained focused on improving the quality of its postpaid customer base, which grew 7% from 31 December 2005 to 30 June 2006.
- During the same period, revenue from postpaid customers increased 63% compared to the same period last year and 20% from the second half of last year, indicating improvement in the average quality of the customer base over the period.
- Revenue in British pounds was 40% above the same period last year and 16% above the second half of last year.
- EBITDA before expensed prepaid CACs was 559% above the comparable period last year.
- Churn for the first-half was higher than expected, reflecting fierce competition and the poor average quality of the customer base at the end of 2005. Churn has progressively been reduced over the first-half and was approximately 3.6% for the month of July.
- **3** UK had only limited activity in the prepaid customer segment and experienced a decline in revenues from this segment, albeit against a relatively small revenue base. In current market conditions, **3** UK will focus on maintaining the scale of its current prepaid customer base and improving activity levels within that base.
- In addition to reducing churn, **3** UK managed a healthy increase in average non-voice revenue per active user (on a trailing 12-month average active customer basis) both in value, from £8 reported at the end of last year to £10.16 at the end of June 2006, and as a percentage of total ARPU, from 23% to 25% for the same periods.

- Rollout of the HSDPA network upgrade commenced and it is scheduled to be completed for the major cities in the fourth quarter of the year and for the whole network in 2007.
- **3** Ireland is at a relatively early stage of growth and continued to grow with good operating and financial performance.

Sweden & Denmark

- In Sweden and Denmark, combined registered customers were 22% above that at the beginning of the year to total over 561,000 at 30 June 2006 and has reached 595,000 at 23 August 2006.
- ARPU was 2% above last year and average non-voice revenue on a 12-month trailing average increased from the 16% reported at the end of 2005 to 18% at the end of June 2006.
- Revenue in Swedish Kronas was 21% above the same period last year and 25% above the second half of last year.
- LBITDA before expensed prepaid CACs reduced 62% compared to the same period last year.
- The HSDPA upgrade of the networks has commenced and is progressing well.

Austria

- In Austria, registered customers grew 19% during the period to total over 359,000 and has reached 371,000 at 23 August 2006.
- Although ARPU was slightly behind 2005 by 3%, revenue was 28% above the same period last year and 17% higher than the second half of last year primarily attributable to an enlarged customer base and a higher proportion of non-voice revenue, which grew, on a 12-month trailing average, from the 14% reported at the end of 2005 to 16% at the end of June 2006.
- LBITDA before expensed prepaid CACs reduced 68% compared to the same period last year.
- The HSDPA upgrade of the existing network has been substantially completed.

Australia

- In Australia, listed Hutchison Telecommunications Australia ("HTAL") announced in February its plans to upgrade and migrate its 2G customers to its 3G network and market its mobile services under the single brand **3** and also announced its intention to close its 2G CDMA network. This migration increased 3G customer additions during the period, which combined with new customers from the market, resulting in 3G active customers 60% higher than the beginning of the year. HTAL announced an active 3G customer base of over 1.0 million at 30 June 2006 and exceeded 1.1 million at 23 August 2006. ARPU of this active customer base on a 12-month trailing average was 6% lower than the full year of 2005 due to the reduction in mobile interconnect rates and the rapid migration of customers from its 2G CDMA network.
- Revenue from the 3G operations was 65% better than the comparable period last year and 33% above the second half of last year, reflecting the enlarged customer base.
- Positive EBITDA of A$1.3 million, before 2G customer upgrade and other closure-related costs, was achieved for the period, a turnaround from the comparable LBITDA of A$122.6 million in the same period last year.
- The HSDPA upgrade of the network is progressing well and is expected to be completed by the first half of 2007.
- Due to the decision to close its 2G CDMA services, HTAL recorded a non-recurring charge to the profit and loss account totalling A$299.2 million, comprising a write-off of the net book value of the existing CDMA network assets and other related costs of A$201.3 million and customer upgrade costs of A$97.9 million, incurred to migrate the 2G customers to its 3G network. These costs will be recovered through cost savings from closure of the CDMA network and the 2G business.

Management expects that the **3** Group will continue to report improved financial performance and narrowing losses in the second-half. However, management does not expect the **3** Group as a whole to achieve breakeven at the level of EBITDA after deducting all CACs for the full year this year. It is now expected that the **3** Group will achieve positive monthly EBITDA after deducting all CACs on a sustainable basis during the first half of 2007 and positive monthly EBIT on a sustainable basis during the first half of 2008.

OUTLOOK

The global economy continued to grow during the period, despite rising US dollar interest rates and a high energy price environment. Looking ahead, interest rates are expected to stablise and all of the Group's established businesses will continue to perform well. Due to increasing global demand for oil and political instability, the Group will continue to benefit from the continued growth of Husky. Despite the moderate GDP growth recorded for the second quarter of 2006, Hong Kong's economic prospects remain healthy. The Group will continue to benefit in the long-term from the continuing strong economic growth in the Mainland.

The results for the first half of 2006 reflect the continued strength of the established businesses, the improving results from the **3** Group operations and the conservative financial profile of the Group, which was further enhanced during the period by the receipt of the US$4,388 million cash proceeds from the sale of a 20% interest in the ports and related services division. From this strong foundation, the Group will continue to grow. It is envisaged that the **3** Group will continue to make progress and its losses will narrow in the second-half, and the Group's established businesses will provide solid growth. While acknowledging that the first half results benefited from the exceptional gain from the strategic Ports transaction, I am confident the Group will continue to perform well in the second half of the year.

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

Li Ka-shing
Chairman
Hong Kong, 24 August 2006

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2006

	Note	Unaudited 2006 HK$ millions	As restated Note 3 2005 HK$ millions
Company and subsidiary companies			
Revenue	5	**85,042**	83,451
Cost of inventories sold		**(30,996)**	(27,913)
Staff costs		**(12,100)**	(12,147)
Telecommunications expensed prepaid customer acquisition costs		**(3,086)**	(5,581)
Depreciation and amortisation		**(15,727)**	(18,233)
Other operating expenses		**(25,860)**	(29,802)
Change in fair value of investment properties	5	**1,146**	3,570
Profit on disposal of investments and others	6	**23,361**	14,900
	5	**21,780**	8,245
Share of profits less losses after taxation of:			
Associated companies		**5,444**	3,198
Jointly controlled entities		**1,343**	2,100
	5	**6,787**	5,298
Interest and other finance costs	7	**(7,553)**	(7,223)
Profit before taxation		**21,014**	6,320
Current taxation charge	8	**(666)**	(926)
Deferred taxation (charge) credit	8	**(602)**	2,034
Profit after taxation		**19,746**	7,428
Allocated as: Loss (profit) attributable to minority interests		**(946)**	1,993
Profit attributable to shareholders of the Company	9	**18,800**	9,421
Interim dividend		**2,174**	2,174
Earnings per share for profit attributable to shareholders of the Company	10	**HK$ 4.41**	HK$ 2.21
Interim dividend per share		**HK$ 0.51**	HK$ 0.51

CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2006

	Note	Unaudited 30 June 2006 HK$ millions	As restated Note 4 31 December 2005 HK$ millions
ASSETS			
Non-current assets			
Fixed assets		**128,788**	124,278
Investment properties		**39,744**	38,557
Leasehold land prepayments		**32,203**	32,374
Telecommunications licences		**86,437**	84,624
Telecommunications postpaid customer acquisition costs		**7,607**	6,172
Goodwill		**19,005**	17,899
Brand names and other rights		**6,754**	3,579
Associated companies		**70,142**	65,334
Interests in joint ventures		**37,976**	37,284
Deferred tax assets		**16,229**	15,635
Other non-current assets		**4,120**	4,426
Liquid funds and other listed investments		**63,505**	60,669
		512,510	490,831
Current assets			
Cash and cash equivalents	11	**66,560**	49,717
Trade and other receivables	12	**41,867**	36,154
Inventories		**22,845**	20,337
		131,272	106,208
Current liabilities			
Trade and other payables	13	**59,965**	56,873
Bank and other debts		**28,678**	26,028
Current tax payables		**1,788**	2,080
		90,431	84,981
Net current assets		**40,841**	21,227
Total assets less current liabilities		**553,351**	512,058
Non-current liabilities			
Bank and other debts		**236,288**	233,454
Interest bearing loans from minority shareholders		**11,847**	5,429
Deferred tax liabilities		**14,576**	13,750
Pension obligations		**2,396**	2,323
Other non-current liabilities		**8,377**	3,473
		273,484	258,429
Net assets		**279,867**	253,629
CAPITAL AND RESERVES			
Share capital		**1,066**	1,066
Reserves		**264,282**	242,488
Total shareholders' funds		**265,348**	243,554
Minority interests		**14,519**	10,075
Total equity		**279,867**	253,629

Notes:

1 **Basis of preparation**

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2005 annual accounts.

2 **Significant accounting policies**

These interim accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2005 annual accounts, except for the adoption of the amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2006. The effect of the adoption of these amendments and interpretations was not material to the Group's results of operations or financial position.

The presentation of comparative information in respect of the six months ended 30 June 2005 which appears in these interim accounts has been conformed with the presentation adopted in the 2005 annual accounts, except for certain presentational changes adopted in the current period which do not have a material impact on the profit for the period or total equity.

3 **Restatement of 30 June 2005 consolidated profit and loss account**

The Group adopted a few new accounting policies in the second half of 2005 to complete the adoption of the new Hong Kong Financial Reporting Standards ("HKFRS") introduced in 2005. These policies were adopted with the full year effect recorded in the results for the year ended 31 December 2005.

HKAS 34 requires the use of the same accounting policies uniformly throughout the year and accordingly, the Group has restated the 2005 interim accounts to reflect the effect of the adoption in the second half of 2005 of the following:

(a) the adoption of HKAS 1, Presentation of Financial Statements, with regards to the presentation of the net profit after taxation and minority interests of associates and jointly controlled entities (further details were previously disclosed in the Group's 2005 annual accounts note 2(c));

(b) the adoption of the current interpretation of HKAS 12, Income Taxes, with regards to the recognition of deferred tax assets (further details were previously disclosed in the Group's 2005 annual accounts note 2(f));

(c) the adoption of HKAS 38, Intangible Assets, whereby certain other rights were reclassified from other non-current assets to brand names and other rights (further details were previously disclosed in the Group's 2005 annual accounts note 2(m));

(d) the restatement of comparative 2005 interim accounts by the Group's listed subsidiary Cheung Kong Infrastructure ("CKI"), to record in the second half of 2005 a deferred tax credit relating to its electricity distribution businesses in Australia (further details were previously disclosed by CKI in a November 2005 offering document and recorded by CKI and the Group in their respective 2005 annual accounts); and

(e) the restatement of comparative 2005 interim accounts by the Group's listed associate (formerly a subsidiary) Hutchison Telecommunications International ("HTIL"), mainly for the adoption in the second half of 2005 of HKAS 38, Intangible Assets, with regards to accounting for telecommunications licences (further details were previously disclosed in HTIL's 2005 annual accounts note 2(a) and in the Group's 2005 annual accounts note 2(m)).

The effect, where material, of the restatement on the consolidated profit and loss account for the six months ended 30 June 2005 is summarised below.

	As previously reported HK$ millions	Effect of adoption in the second half of 2005: HKAS 1 (a) HK$ millions	HKAS 12 (b) HK$ millions	HKAS 38 (c) HK$ millions	Subtotal HK$ millions	Restatement by CKI (d) HK$ millions	Restatement by HTIL (e) HK$ millions	As restated HK$ millions
Company and subsidiary companies								
Revenue	83,554	-	-	-	-	-	(103)	83,451
Cost of inventories sold	(28,267)	-	-	-	-	-	354	(27,913)
Staff costs	(12,147)	-	-	-	-	-	-	(12,147)
Telecommunications expensed prepaid customer acquisition costs	(5,581)	-	-	-	-	-	-	(5,581)
Depreciation and amortisation	(17,968)	-	-	(169)	(169)	-	(96)	(18,233)
Other operating expenses	(29,835)	-	-	156	156	-	(123)	(29,802)
Change in fair value of investment properties	3,570	-	-	-	-	-	-	3,570
Profit on disposal of investments and others	14,900	-	-	-	-	-	-	14,900
	8,226	-	-	(13)	(13)	-	32	8,245
Share of profits less losses after taxation of:								
Associated companies	5,249	(2,389)	-	-	(2,389)	338	-	3,198
Jointly controlled entities	1,848	252	-	-	252	-	-	2,100
Share of change in fair value of investment properties of jointly controlled entities	927	(927)	-	-	(927)	-	-	-
	8,024	(3,064)	-	-	(3,064)	338	-	5,298
Interest and other finance costs	(8,479)	1,330	-	-	1,330	-	(74)	(7,223)
Profit before taxation	7,771	(1,734)	-	(13)	(1,747)	338	(42)	6,320
Current taxation charge	(1,622)	696	-	-	696	-	-	(926)
Deferred taxation (charge) credit	3,892	1,038	(2,929)	-	(1,891)	-	33	2,034
Profit after taxation	10,041	-	(2,929)	(13)	(2,942)	338	(9)	7,428
Allocated as:								
Loss (profit) attributable to minority interests	1,783	-	264	1	265	(52)	(3)	1,993
Profit attributable to shareholders of the Company	11,824	-	(2,665)	(12)	(2,677)	286	(12)	9,421
Earnings per share for profit attributable to shareholders of the Company (HK$)	2.77	-	(0.63)	-	(0.63)	0.07	-	2.21

After restatement, the comparable interim 2005 accounts conform to the accounting policies adopted for the full year 2005 accounts.

4 **Restatement of 31 December 2005 consolidated balance sheet**

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

	HK$ millions
Decrease in goodwill	(55)
Increase in other receivables and prepayments	143
Decrease in deferred tax assets	(88)

5 **Segment information**

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information.

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Property and hotels is HK$126 million (30 June 2005 – HK$150 million), Finance & investments and others is HK$215 million (30 June 2005 – HK$97 million) and Hutchison Telecommunications International is nil (30 June 2005 – HK$9 million).

Business segment

Revenue

	Six months ended 30 June 2006				Six months ended 30 June 2005			
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%[a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%[a]
ESTABLISHED BUSINESSES								
Ports and related services	13,506	1,854	15,360	15%	12,805	1,589	14,394	16%
Property and hotels	2,413	2,553	4,966	5%	2,058	1,349	3,407	4%
Retail	40,228	5,484	45,712	46%	35,447	4,171	39,618	43%
Cheung Kong Infrastructure	1,077	6,104	7,181	7%	1,263	6,468	7,731	8%
Husky Energy	-	14,464	14,464	14%	-	10,280	10,280	11%
Finance & investments and others	4,309	1,116	5,425	5%	3,968	855	4,823	5%
Hutchison Telecommunications International	-	7,831	7,831	8%	10,654	918	11,572	13%
Subtotal – established businesses	61,533	39,406	100,939	100%	66,195	25,630	91,825	100%
TELECOMMUNICATIONS – 3 Group	23,509	-	23,509		17,256	-	17,256	
	85,042	39,406	124,448		83,451	25,630	109,081	

EBIT (LBIT) [b]

	Six months ended 30 June 2006				Six months ended 30 June 2005			
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%[a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%[a]
ESTABLISHED BUSINESSES								
Ports and related services	4,518	702	5,220	28%	4,105	601	4,706	28%
Property and hotels	1,353	596	1,949	10%	925	887	1,812	11%
Retail	525	239	764	4%	686	194	880	5%
Cheung Kong Infrastructure	319	2,402	2,721	14%	576	2,546	3,122	19%
Husky Energy	-	4,104	4,104	22%	-	2,439	2,439	14%
Finance & investments and others	2,552	339	2,891	15%	2,380	228	2,608	15%
Hutchison Telecommunications International	-	1,240	1,240	7%	1,127	205	1,332	8%
EBIT – established businesses	9,267	9,622	18,889	100%	9,799	7,100	16,899	100%
TELECOMMUNICATIONS – 3 Group								
EBIT (LBIT) before depreciation, amortisation and telecommunications expensed prepaid CACs	4,207	4	4,211		(633)	-	(633)	
Telecommunications expensed prepaid CACs	(3,086)	-	(3,086)		(5,581)	-	(5,581)	
EBIT (LBIT) before depreciation and amortisation and after telecommunications expensed prepaid CACs	1,121	4	1,125		(6,214)	-	(6,214)	
Depreciation	(4,440)	-	(4,440)		(4,890)	-	(4,890)	
Amortisation of licence fees and other rights	(3,053)	-	(3,053)		(3,141)	-	(3,141)	
Amortisation of telecommunications postpaid CACs	(5,622)	-	(5,622)		(5,779)	-	(5,779)	
EBIT (LBIT) – Telecommunications – 3 Group	(11,994)	4	(11,990)		(20,024)	-	(20,024)	
Change in fair value of investment properties	1,146	775	1,921		3,570	927	4,497	
Profit on disposal of investments and others[c]	23,361	-	23,361		14,900	-	14,900	
EBIT	21,780	10,401	32,181		8,245	8,027	16,272	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(1,817)				(1,330)		
Current taxation charge		(1,654)				(696)		
Deferred taxation credit (charge)		215				(700)		
Minority interests		(358)				(3)		
Share of profits less losses after taxation of associated companies and jointly controlled entities		6,787				5,298		

Geographical segment

Revenue

	Six months ended 30 June 2006				Six months ended 30 June 2005			
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%
Hong Kong	15,274	6,638	21,912	18%	17,618	5,346	22,964	21%
Mainland China	7,296	3,659	10,955	9%	5,942	2,455	8,397	8%
Asia and Australia	9,433	8,750	18,183	15%	16,408	3,659	20,067	18%
Europe	48,734	5,772	54,506	43%	39,962	3,817	43,779	40%
Americas and others	4,305	14,587	18,892	15%	3,521	10,353	13,874	13%
	85,042	39,406	124,448	100%	83,451	25,630	109,081	100%

EBIT (LBIT) [b]

	Six months ended 30 June 2006				Six months ended 30 June 2005			
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	%
Hong Kong	2,554	2,309	4,863	15%	1,787	2,495	4,282	26%
Mainland China	2,073	1,236	3,309	10%	1,745	824	2,569	16%
Asia and Australia	416	1,334	1,750	5%	702	1,141	1,843	11%
Europe	(9,657)	638	(9,019)	-28%	(15,635)	166	(15,469)	-95%
Americas and others	1,887	4,109	5,996	19%	1,176	2,474	3,650	22%
Change in fair value of investment properties	1,146	775	1,921	6%	3,570	927	4,497	28%
Profit on disposal of investments and others[c]	23,361	-	23,361	73%	14,900	-	14,900	92%
EBIT	21,780	10,401	32,181	100%	8,245	8,027	16,272	100%
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(1,817)				(1,330)		
Current taxation charge		(1,654)				(696)		
Deferred taxation credit (charge)		215				(700)		
Minority interests		(358)				(3)		
Share of profits less losses after taxation of associated companies and jointly controlled entities		6,787				5,298		

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

(b) Earnings (losses) before interest expense and taxation ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance cost and taxation. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(c) See note 6 for further details on respective items.

6 **Profit on disposal of investments and others**

	Six months ended 30 June 2006 HK$ millions	2005 HK$ millions
Profit on disposal of subsidiaries	24,380	5,500
Profit on sale of 3UK data centres	751	-
CDMA network closure costs	(1,770)	-
Profit on elimination of minority interests	-	9,400
	23,361	14,900

Profit on disposal of subsidiaries for the six months ended 30 June 2006 arises from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments. The CDMA network closure costs relate to the closure in August 2006 of the Group's 2G CDMA services in Australia and the costs to migrate the 2G customers to the 3G network.

For the six months ended 30 June 2005, profit on disposal of subsidiaries represented a profit of HK$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong), and profit on elimination of minority interests of HK$9,400 million arose from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to their net asset value.

7 **Interest and other finance costs**

	Six months ended 30 June 2006 HK$ millions	2005 HK$ millions
Interest and other finance costs	7,527	7,003
Notional non-cash interest accretion	201	464
	7,728	7,467
Less: interest capitalised	(175)	(244)
	7,553	7,223

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

8 **Taxation**

	Six months ended 30 June 2006 HK$ millions	2005 HK$ millions
Current taxation charge		
Hong Kong	150	255
Outside Hong Kong	516	671
	666	926
Deferred taxation charge (credit)		
Hong Kong	163	589
Outside Hong Kong	439	(2,623)
	602	(2,034)
	1,268	(1,108)

Hong Kong profits tax has been provided for at the rate of 17.5% (30 June 2005 – 17.5%) on the estimated assessable profits less estimated available tax losses. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the period, no deferred tax asset has been recognised for the losses of the 3G businesses (30 June 2005 – HK$3,048 million).

9 **Profit attributable to shareholders of the Company**

Included in profit attributable to shareholders is a surplus of HK$398 million (30 June 2005 – HK$231 million) transferred from revaluation reserves upon disposal of the relevant investments.

10 **Earnings per share for profit attributable to shareholders of the Company**

The calculation of earnings per share for profit attributable to shareholders of the Company is based on profit attributable to shareholders of the Company HK$18,800 million (30 June 2005 – HK$9,421 million) and on 4,263,370,780 shares in issue during 2006 (30 June 2005 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options and convertible debts outstanding as at 30 June 2006. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 30 June 2006 did not have any dilutive effect on earnings per share.

11 **Cash and cash equivalents**

	30 June 2006 HK$ millions	31 December 2005 HK$ millions
Cash at bank and in hand	8,046	15,706
Short term bank deposits	58,514	34,011
	66,560	49,717

12 **Trade and other receivables**

	30 June 2006 HK$ millions	31 December 2005 HK$ millions
Trade receivables	16,490	14,818
Other receivables and prepayments	25,377	21,336
	41,867	36,154

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

At end of period, the ageing analysis of the trade receivables is as follows:	30 June 2006 HK$ millions	31 December 2005 HK$ millions
Current	12,461	10,338
31 – 60 days	1,724	1,840
61 – 90 days	672	678
Over 90 days	1,633	1,962
	16,490	14,818

13 **Trade and other payables**

	30 June 2006 HK$ millions	31 December 2005 HK$ millions
Trade payables	16,822	17,141
Other payables and accruals	39,220	36,310
Interest free loans from minority shareholders	3,890	3,159
Interest rate swaps – fair value hedges	3	-
Cross currency interest rate swap – cash flow hedges	-	231
Forward foreign exchange contracts – cash flow hedges for forecast payments and obligations	30	32
	59,965	56,873

At end of period, the ageing analysis of the trade payables is as follows:	30 June 2006 HK$ millions	31 December 2005 HK$ millions
Current	10,389	11,009
31 – 60 days	4,434	2,550
61 – 90 days	1,086	3,033
Over 90 days	913	549
	16,822	17,141

GROUP CAPITAL RESOURCES AND LIQUIDITY

Treasury Management

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

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which may change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

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

At 30 June 2006, approximately 56% of the Group's principal amount of borrowings, excluding loans from minority shareholders, were at floating rates and the remaining 44% were at fixed rates. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK$92,127 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$8,179 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 86% of the Group's principal amount of borrowings were at floating rates and the remaining 14% were at fixed rates at 30 June 2006.

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cash flow and the debt markets and, when appropriate, would refinance these businesses with local currency borrowings. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the period, the HK dollar weakened against the currencies of most of those countries where the Group has operations. This gave rise to an unrealised gain of HK$8,526 million (31 December 2005 – charge of HK$13,904 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves.

At 30 June 2006, the Group had entered into currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$1,365 million to non-US dollar principal amount of borrowings to match currency exposures of the underlying businesses. The Group's borrowings, excluding loans from minority shareholders and after taking into consideration these currency swaps, is denominated as to 14% in HK dollars, 34% in US dollars, 3% in British pounds, 35% in Euro and 14% in other currencies.

Credit Exposure

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

Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment gradings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. In February 2006, Fitch Ratings revised the outlook on the Group's credit rating to "stable". At 30 June 2006, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch.

Liquid Assets

The Group continues to have a strong financial position benefiting from both the steady and growing cash flow from its established businesses and improving cash flow from the **3** Group businesses. Cash, liquid funds and other investments ("liquid assets") on hand totalled HK$130,065 million at 30 June 2006, 18% higher than the balance at 31 December 2005 of HK$110,386 million mainly due to the cash proceeds of US$4,388 million received on the disposal of a 20% equity interest in the ports and related services division in April 2006. Of the liquid assets, 10% were denominated in HK dollars, 70% in US dollars, 2% in British pounds, 7% in Euro and 11% in other currencies.

Cash and cash equivalents represented 52% (31 December 2005 – 46%) of the liquid assets, listed fixed income securities 37% (31 December 2005 – 42%), listed equity securities 8% (31 December 2005 – 9%) and long-term deposits 3% (31 December 2005 – 3%). The listed fixed income securities, including those held under managed funds, consist of US treasury notes 47%, government issued guaranteed notes 22%, supranational notes 17% and others 14%. More than 83% of the listed fixed income securities are rated at Aaa/AAA, with an average maturity of approximately 2.7 years on the overall portfolio.

Cash Flow

Consolidated EBITDA before expensed prepaid CACs amounted to HK$55,432 million (2005 – HK$29,352 million) for the first half of 2006, an 89% increase from the comparable period last year. Included in this consolidated EBITDA are cash profits from disposal totalling HK$25,131 million, of which HK$24,380 million arose from the disposal of a 20% equity interest in the ports and related services division. Excluding the disposal cash profits in both periods, EBITDA before expensed prepaid CACs increased 27% to HK$30,301 million for the period (2005 – HK$23,852 million). Funds from operations ("FFO"), before capital expenditure, investment in all CACs and changes in working capital amounted to HK$13,356 million (2005 – HK$9,290 million), a 44% increase. The increase in recurring EBITDA and FFO are attributed to the solid and improved financial performance of the Group's established businesses and the healthy improvement in the **3** Group which reported a 765% improvement in EBITDA before expensed prepaid CACs. Recurring EBITDA from the Group's established businesses, continued to be strong, totalling HK$26,090 million (2005 – HK$24,485 million).

The **3** Group's investment in CACs totalled HK$9,896 million for the period, a 10% reduction from the comparable amount in 2005 of HK$11,045 million mainly due to lower average cost to acquire a customer. Prepaid CACs, which are expensed as incurred, totalled HK$3,086 million, a 45% reduction to the comparable 2005 total of HK$5,581 million. Postpaid CACs totalled HK$6,810 million during the period, an increase of 25% compared to HK$5,464 million in the same period last year mainly due to a greater focus on the postpaid customer segment, particularly in the UK.

The Group's capital expenditures for the period totalled HK$8,761 million (2005 – HK$12,395 million), of which HK$4,258 million (2005 – HK$6,973 million) related to the **3** Group. The decrease in the Group's total capital expenditures reflects the reduced **3** Group's expenditures and the non-consolidation of HTIL in 2006, which became a 49.8% owned associated company in December last year. Excluding the effect of this ownership change, total capital expenditures decreased 16%. During the first six months of 2006, capital expenditures for the ports and related services division amounted to HK$3,321 million (2005 – HK$2,268 million); for the property and hotels division HK$114 million (2005 – HK$70 million); for the retail division HK$962 million (2005 – HK$1,008 million) and for the energy, infrastructure, finance & investments and others division HK$106 million (2005 – HK$101 million).

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

Debt Maturity and Currency Profile

The Group's total borrowings, excluding loans from minority shareholders at 30 June 2006, were HK$264,966 million compared to the balance at 31 December 2005 of HK$259,482 million. The increase in borrowings is mainly due to the effect of the translation of foreign currency denominated loans as a result of the weakened HK dollars. Loans from minority shareholders, which are viewed as quasi equity, totalled HK$11,847 million at 30 June 2006 (31 December 2005 – HK$5,429 million). The increase arose as part of the sale of a 20% equity interest in the ports and related services division to the PSA as previously mentioned. The Group's weighted average cost of debt during the six months to 30 June 2006 was 5.4% (31 December 2005 – 4.7%).

The maturity profile of the Group's total borrowings at 30 June 2006, excluding loans from minority shareholders and after taking into consideration foreign currency swaps, is set out below:

	HK$	US$	£	€	Others	Total
Within 6 months	4%	–	1%	4%	1%	10%
In 2007	2%	3%	–	–	1%	6%
In 2008	5%	–	–	3%	3%	11%
In 2009	2%	–	–	9%	4%	15%
In 2010	1%	4%	–	6%	4%	15%
In years 6 to 10	–	19%	2%	13%	–	34%
In years 11 to 20	–	1%	–	–	–	1%
Beyond 20 years	–	7%	–	–	1%	8%
Total	14%	34%	3%	35%	14%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's total borrowings, as a matter of policy, have credit rating triggers that would accelerate the maturity dates of the debt outstanding.

Changes in Financing

The significant financing activities during the period to date were as follows:

- In March, obtained a short-term bridging loan of €500 million (approximately HK$4,885 million) to refinance the redemption at maturity of a €500 million bond;
- In April, entered into a structured transaction with an investment bank involving a private placement of an effective, approximately 10% indirect interest in **3** Italia S.p.A. for a cash consideration of €420 million (approximately HK$3,864 million), which has been accounted for as debt as required under current Hong Kong Financial Reporting Standards; and
- In July, A S Watson obtained a five-year, floating rate €600 million syndicated loan (approximately HK$5,862 million), mainly to refinance existing loans and funding related to its operations in France.

Capital, Net Debt and Interest Coverage Ratios

The Group's total shareholders' funds increased 9% to HK$265,348 million at 30 June 2006 compared to HK$243,554 million at 31 December 2005. The increase in shareholders' funds mainly reflects the profit for the six-month period ended 30 June 2006 and the favourable impact of exchange translation differences arising from the translation of the net assets of overseas businesses to HK dollars as mentioned above.

At 30 June 2006, consolidated net debt, excluding loans from minority shareholders which are viewed a quasi equity, was HK$134,901 million (31 December 2005 – HK$149,096 million) and on this basis, the Group's net debt to net total capital ratio decreased from 36% at 31 December 2005 to 31% at 30 June 2006. As additional information, the following table shows the net debt to net total capital ratio calculated on the basis of including loans from minority shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at 30 June 2006.

Net debt/Net total capital ratios at 30 June 2006:	Total
A1 – excluding loans from minority shareholders	31.3%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	25.6%
B1 – including loans from minority shareholders	34.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	27.9%

The Group's consolidated gross interest expense and finance costs, before capitalisation, for the first six months of 2006, increased to total HK$7,728 million, compared to HK$7,467 million for the same period last year, mainly due to increased market interest rates.

Consolidated EBITDA and FFO before all CACs covered consolidated net interest expense and finance costs 10.1 times and 3.5 times respectively (31 December 2005 – 6.5 times and 3.4 times).

Secured Financing

At 30 June 2006, the shares of H3G S.p.A. owned by the Group were pledged as security for its project financing facilities. The assets of H3G S.p.A. amounted to approximately HK$74,305 million (31 December 2005 – HK$66,845 million). In addition, HK$6,480 million (31 December 2005 – HK$8,554 million) of the Group's assets were pledged as security for bank and other loans of the Group.

Contingent Liabilities

At 30 June 2006, the Group provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$15,913 million (31 December 2005 – HK$15,125 million), and provided performance and other guarantees of HK$6,297 million (31 December 2005 – HK$6,165 million), primarily for the Group's telecommunications businesses.

EMPLOYEE RELATIONS

At 30 June 2006, the Company and its subsidiaries employed 148,679 people (30 June 2005 – 157,389 people) and the related employee costs for the six-month period, excluding Directors' emoluments, totalled HK$12,440 million (2005 – HK$12,949 million). Including the Group's associated companies, at 30 June 2006, the Group employed 219,096 people of whom 29,329 were employed in Hong Kong. All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. Certain subsidiaries and associates of the Group offer various equity-linked compensation elements appropriate to their sector and market. A wide range of benefits including medical coverage, provident funds and retirement plans and long service awards are also provided to employees. In addition, training and development programmes are provided on an on-going basis throughout the Group. Many social, sporting and recreational activities were arranged during the period for employees on a Group-wide basis. Group employees also participated in community-oriented events.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company strives to attain the highest standards of corporate governance. Throughout the six months ended 30 June 2006, the Company is fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

GENERAL INFORMATION

The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2006 have been reviewed by the audit committee of the Company and by the Company's auditors, PricewaterhouseCoopers, in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. The auditors' independent review report will be included in the Interim Report to shareholders.

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

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

Non-executive Directors:
Mr. George Colin MAGNUS
Mr. William SHURNIAK

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