HUTCHISON WHAMPOA LIMITED

Unaudited interim results for six months ended 30 June 2002

- **First half year profit of HK$5,951 million and earnings per share of HK$1.40**
- **Interim dividend per share of HK$0.51**
- **Earnings before interest expense and taxation of HK$9,834 million**
- **Four of seven divisions achieved double digit EBIT growth**
- **Cash and marketable securities at market value totalled HK$121,482 million**
- **Conservative strategy to continue to invest in all core businesses**

CHAIRMAN'S STATEMENT

The Group's unaudited profit attributable to shareholders for the half year amounted to HK$5,951 million compared to HK$7,179 million in the same period last year. Earnings per share amounted to HK$1.40 compared to HK$1.68 in the same period last year. These results include profits totalling HK$1,524 million (2001 – HK$1,900 million) comprised of the profit of HK$1,129 million arising from sales to strategic partners of equity interests, ranging from 1% to 3%, in certain ports and the write-back of a provision of HK$395 million previously made for Hutchison Harbour Ring, which has been trading at a premium to the Group's book cost. Profit on disposal of investments less provisions in the previous year are described in Note 3 to the unaudited consolidated profit and loss account shown below.

During the period the equity markets were volatile and continued to decline which has adversely affected the Group's remaining investments in Vodafone Group and Deutsche Telekom. The Vodafone Group share price declined from a book value of £1.28 to £0.90 at 30 June and Deutsche Telekom declined from €17.38 to €9.50 at 30 June. The Group has marked these investments to market value and, considering the volatility in the market, the reduction in value totalling HK$11,126 million has been charged against the existing investment revaluation reserve in the balance sheet. These long term investments will be reviewed as part of the Group's year end closing procedures and, if it is determined that a permanent diminution in value has occurred, a provision will be recorded in the profit and loss account at that time.

DIVIDEND

Your Directors have today declared an interim dividend for 2002 of 51 cents per share (2001 – 51 cents) payable on 11 October 2002 to those persons registered as shareholders on 10 October 2002. The share register of members will be closed from 3 October 2002 to 10 October 2002 both days inclusive.

OPERATIONS

The Group's turnover and earnings before interest expense and taxation ("EBIT"), including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment in Note 1 to the unaudited consolidated profit and loss account. Turnover for the period totalled HK$46,593 million, an increase of 7% over the comparable period last year, mainly reflecting increased turnover in ports and related services, telecommunications and retail and manufacturing divisions. These were partially offset by decreased turnover in Husky Energy and finance and investments divisions due to lower market prices for natural gas and lower market interest rates respectively. Total EBIT for the period was HK$9,834 million, 12% below last year's comparable period. All of the Group's core businesses reported EBIT ahead of the same period last year except for Husky Energy and the finance and investments divisions. The ports and related services, telecommunications, retail and manufacturing and Cheung Kong Infrastructure divisions all reported EBIT growth of 10% or more while the property and hotels division was in line with the previous year's comparable period, despite the deflationary Hong Kong economy. Husky Energy and the finance and investment divisions performed as expected, but were adversely affected by, respectively, lower market prices for natural gas and the prevailing low interest rate environment.

Ports and related services

The Group's ports and related services division reported turnover of HK$9,375 million, a 36% increase over last year's comparable period. The increase in turnover reflects strong throughput growth at Yantian and additional contributions from ports acquired in the latter part of 2001 and in early 2002, including: eight terminals in Mexico, Argentina, Pakistan, Saudi Arabia, Tanzania and Thailand which were acquired in June 2001; Ningbo Beilun Container Terminal Phase II in Mainland China which was acquired in January 2002; and two container terminals in Busan and one in Kwangyang in South Korea, which were acquired in February 2002. The combined throughput of the Group's worldwide operations increased 31% to over 16.3 million TEUs (twenty foot equivalent units) and this division reported EBIT of HK$3,164 million, 22% above the comparable period last year.

Overall the Group's Hong Kong and Yantian deepwater port operations, which together serve the Shenzhen and Southern China manufacturing basin reported combined throughput growth of 18% and an EBIT growth of 10%. In Hong Kong, Hongkong International Terminals and COSCO-HIT, an associated company reported a 4% increase in combined throughput but a 4% decline in EBIT which was offset by Yantian Terminal's 56% growth in throughput and a 58% growth in EBIT. Construction work on the Container Terminal 9 consortium development in Hong Kong is continuing and the first berth is expected to be completed in mid-2003.

Although Shanghai Container Terminals, the Group's associated company, reported a 4% growth in throughput, EBIT declined by 13% due to competition from ports nearby.

In Indonesia, the Group's Jakarta International Container Terminal and the adjacent Koja Terminal reported combined throughput growth of 6% and EBIT 25% mainly due to cost reductions. In Malaysia, Kelang Multi Terminal has performed well and reported a 48% growth in throughput and a 29% growth in EBIT. The three deep-water container terminals in South Korea, which were acquired this year, have performed better than expectations. Karachi International Container Terminal in Pakistan and International Ports Services at Dammam in Saudi Arabia, which were acquired in June last year, have both exceeded expectations.

In the UK, combined container throughput at Felixstowe, Thamesport and Harwich was 1% below the comparable period although the combined EBIT grew 24% mainly due to a cost rationalisation programme. In December 2001, the European Commission approved the Group's request to increase its ownership of Europe Container Terminals ("ECT") in Rotterdam from 31.5% to 75.5%, subject to a condition to sell its 33.3% interest in the recently completed adjacent Maersk Delta Terminals ("MDT"). ECT reported throughput 8% below the comparable period last year mainly due to a shipping line moving to MDT after it commenced operation. EBIT was 275% above the comparable period last year reflecting the Group's increased shareholding and the profit arising from the required disposal of MDT partially offset by the effect of reduced throughput.

Internacional de Contenedores Asociados de Veracruz (ICAVE), located on the eastern coast of Mexico, was acquired in June last year and has performed above expectations. Combined throughput of the Cristobal and Balboa ports in Panama grew 2% and EBIT was 74% above the comparable period due to savings in direct costs and overheads. Expansion of the Balboa port in Panama on the Pacific coast has commenced as scheduled and on completion the annual handling capacity will be increased by 450,000 TEUs to one million TEUs.

Pursuant to the agreement whereby the Group acquired interests in eight terminals in June 2001, the Group exercised its option during the period to increase its effective interests in the container terminals in Dammam, Saudi Arabia from 32.6% to 51%; Laem Chabang, Thailand from 56% to 87.5%; Karachi, Pakistan from 82% to 100%; Dar es Salaam, Tanzania from 63.2% to 70%; Veracruz, Mexico from 82% to 100%; Ensenada, Mexico from 64% to 100%; and Buenos Aires, Argentina from 64% to 100%. This division will continue to pursue investment opportunities around the world.

Telecommunications

The telecommunications division reported turnover of HK$6,398 million, an increase of 23% over the comparable period last year mainly due to continued strong subscriber growth in its India and Israel operations. Currently the Group has over 5.2 million subscribers, a growth of 15% from the beginning of the year. EBIT increased 10% to HK$678 million mainly due to the improved results of India and Israel. This division is in a re-investment phase building 3G networks which will begin operations in the UK and Italy in the fourth quarter of this year and in Sweden, Denmark, Austria, Hong Kong and Australia in the first quarter of 2003.

In Hong Kong, the Group has maintained its position as the largest mobile operator with approximately 1.7 million subscribers currently and an approximate 30% market share. The mobile operations reported stabilisation of its average revenue per user ("ARPU") after several years of intense price competition, which combined with cost savings, resulted in EBIT well above the comparable period last year. In May, Hutchison Telecommunications (Hong Kong) became the first operator in Asia to introduce the BlackBerry service in Hong Kong which integrates email, mobile phone, short messaging service, wireless application protocol and electronic organiser features. In April, the Group acquired from Asia Global Crossing its 50% interests in Hutchison Global Communications ("HGC"), formerly Hutchison Global Crossing, and as a result, HGC became a wholly owned subsidiary. HGC, which owns and operates a terrestrial fibre optic network in Hong Kong, reported strong customer growth for its broadband, data and voice services during the period and its duct routes increased to approximately 3,000 kilometres. HGC reported improved operations and a small loss before interest and taxation for the period.

In India, the combined subscriber base of the Group's operations grew by 28% to over 1.4 million at the end of June. EBIT grew 33% due to improved results from the four existing telecommunication operations at Mumbai, Delhi, Kolkata and Gujarat, partly offset by start up operating losses in the new licence areas in Andhra Pradesh and Karnataka states and the city of Chennai, where full commercial GSM network services were launched at the end of June. The footprint of the Group's Indian licences now covers a population of 245 million in this growing telecommunications market.

In Israel, listed Partner Communications ("Partner") has continued to grow its subscriber base, which at 30 June totalled over 1.7 million, a 17% increase from the beginning of the year. Partner announced a net profit attributable to shareholders of US$499,000 for the six months ended 30 June 2002, compared to net loss of US$43 million for the comparable period and also reported for the first time net profit in the second quarter of 2002. In April, the Group purchased shares from another founding shareholder which increased its interest in Partner from 35% to 42.7%.

In Australia, listed Hutchison Telecommunications Australia ("HTA") reported a 25% increase in CDMA subscribers from the beginning of the year to approximately 240,000 subscribers at the end of June. HTA announced a 20% improvement in its net loss attributable to shareholders of A$73 million for this half year compared to the same period last year.

During the period, the Group continued to build networks and systems and source content to support its 3G businesses. Hutchison 3G UK is in the final stages of its network rollout and testing and is planning to have 3,500 cell sites when it commences operations which will provide coverage to approximately 50% of the population. Coverage is targeted to reach 80% by the end of 2003. In June, the Group was awarded a 20-year 3G licence in the Republic of Ireland for €50.7 million. Synergies between the Ireland and UK operations are expected to enhance the profitability of the two countries' operations. In Italy, the Group's 3G licence is to be extended from 15 years to 20 years and the operation is also in the final stages of its network rollout and testing. It plans to have 2,200 cell sites upon commencement of operations which will provide coverage to 45% of the population and to increase coverage to 65% by the end of 2003. During the period, the Group confirmed that "3" will be the global brand name for its 3G businesses worldwide and a branded advertising campaign is being developed. Capital and operating expenditures are in line with the budget for the full year. Pre-operating expenses of HK$729 million which have been charged to the profit and loss account have been compensated by the release of provisions made in previous years. The Group is confident that it will successfully introduce this new generation of multimedia telecommunication services in the fourth quarter and, for the first time, create a quality wireless environment with video messages and vivid colour graphics for consumers.

On 9 August, the Group together with Singapore Technologies Telemedia Pte Ltd signed an agreement with Global Crossing ("GC") to invest a total of US$250 million for a 61.5% interest in a newly constituted Global Crossing on its emergence from bankruptcy. The agreement was approved on the same day in a hearing before the Bankruptcy Court in New York and GC is preparing a Chapter 11 plan of reorganisation. This acquisition is expected to be completed in early 2003, subject to various conditions including regulatory approvals. GC owns and operates the world's first integrated IP-based network with over 100,000 route miles reaching 27 countries and more than 200 major cities around the globe.

Property and hotels

The property and hotels division's turnover amounted to HK$2,377 million, an 11% decrease over the comparable period last year mainly due to reduced development activity. EBIT of HK$981 million was in line with last year despite the deflationary economic environment in Hong Kong and intense price competition in the residential development market. Gross rental income from the Group's investment properties, of which 86% was derived from Hong Kong, grew 9% compared to the previous period. The Hong Kong portfolio of 12.4 million sq ft of commercial, office, industrial and residential properties continues to be substantially fully let. There were no significant development profits in the current period due to the timing of completion of residential development projects. The Group's development projects in Hong Kong, Mainland China and overseas are progressing satisfactorily. During the period, the Group increased its interests to 50% in the two office towers and one hotel tower in the Metropolis, a development above the Kowloon Canton Railway terminus in Hunghom, Hong Kong. The Group increased its landbank in Mainland China by entering into a joint venture to develop a 1.2 million sq ft residential project in Baoan district, Shenzhen (50% interest) for completion in 2003. The Group's portfolio of hotels overall reported improved results which were well ahead of the comparable period last year.

Retail and manufacturing

The retail and manufacturing division reported turnover of HK$16,364 million, a 12% increase mainly reflecting increased growth in the turnover of PARKnSHOP, Watson's and Savers. EBIT of HK$308 million was 13% better than the comparable period last year mainly due to better results from these operations.

PARKnSHOP, the supermarket chain, continued to be affected by the deflationary economy in Hong Kong. Its Mainland China operations reported improved results and two more large format stores were opened early this year, one in Shenzhen and one in Dongguan. The combined PARKnSHOP operations reported an 8% increase in sales and a marginal increase in EBIT. The Watson's and Savers personal care, health and beauty products retail operations reported a 17% increase in sales and a 25% increase in EBIT. The increase was attributable to the Watson's in Taiwan recovering from its difficulties last year, the continued expansion of the Watson's chain in Asia and the Savers chain in the UK, partially offset by Watson's in Hong Kong which continued to be affected by the slow local economy and weak retail market. Watson's expanded into the Philippines in April this year with the acquisition of a 60% interest in a retail chain of personal care, health and beauty and drug products which currently has 56 stores mainly located in Manila. Fortress reported an 8% decrease in sales and a marginal decrease in EBIT compared to the same period last year, reflecting continuing weak consumer demand in Hong Kong. The water and beverage manufacturing and distribution operations in Hong Kong, Mainland China and Europe reported an increase in sales of 1%, however EBIT declined due to adverse weather and competitive conditions.

Hutchison Harbour Ring, a listed company which became a 50.5% subsidiary of the Group in July 2001, announced net profit attributable to shareholders of HK$23 million.

Cheung Kong Infrastructure

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover and profit attributable to shareholders of HK$1,875 million and HK$1,491 million respectively for the period ended 30 June 2002, 1.4% and 1.2% below the comparable period last year. Excluding all the one-off items such as the gain derived from the sale of the retail business of Powercor Australia Limited in 2001, CKI would have achieved a growth of 10.7% when compared to the same period last year.

Husky Energy

The performance of Husky Energy, a listed associated company was adversely affected during the period mainly by markedly lower North American natural gas prices which were partially offset by marginally higher crude oil prices. Husky Energy announced turnover of C$3,018 million and net profit attributable to shareholders of C$389 million, respectively, 14% and 21% below the comparable period last year.

OUTLOOK

The first half of this year has seen a continuation of an unsettled economic global environment characterised by unprecedented volatility in global equity and credit markets. This period also saw a significant decline in natural gas prices and interest rates reaching their lowest level in more than 20 years. Despite this difficult environment, the Group reported solid recurring EBIT during the first half of the year, benefiting from the expansion activities undertaken last year and more recently. While Hong Kong remains the Group's principal base of operations, in view of the current difficult economic environment it is expected that the Group will focus more on opportunities in Europe, Mainland China and other Asian countries in the near term.

The Group's consolidated cash and liquid investments amounted to HK$121,482 million at 30 June. This balance includes the Group's investments in the shares of Vodafone Group, marked to the 30 June market value of £0.90 per share, in the amount of HK$15,235 million and the investment in the shares of Deutsche Telekom, marked to the 30 June market value of €9.50 per share, in the amount of HK$8,561 million. The Group's consolidated total debt at 30 June was HK$155,982 million and after deducting cash and liquid investments, the Group's net debt position was HK$34,500 million resulting in a conservative net debt to net capital ratio of approximately 12%. The Group will continue to benefit from the steady cashflow from its existing core businesses and from the growth anticipated from its recent investments overseas.

While the remainder of this year will be challenging, I am confident that the Group will continue to perform steadily. I am also confident that the Group's investment and expansion plans in all its core businesses will continue to develop and achieve success in their respective fields, providing future growth and value to our shareholders. I would like to thank the Board of Directors and all the Group's employees around the world for their hard work, dedication and cooperation.

Li Ka-shing
Chairman

Hong Kong, 22 August 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2002

	Note	Unaudited 2002 HK$ millions	As restated 2001 HK$ millions
Turnover			
Company and subsidiary companies		**33,319**	29,308
Share of associated companies and jointly controlled entities		**13,274**	14,094
	1	**46,593**	43,402
Company and subsidiary companies			
Turnover		**33,319**	29,308
Cost of inventories sold		**11,845**	11,473
Staff costs		**5,668**	4,453
Depreciation and amortisation		**2,431**	1,745
Other operating expenses		**6,701**	4,195
		6,674	7,442
Share of profits less losses of associated companies		**2,559**	2,982
Share of profits less losses of jointly controlled entities		**601**	759
Earnings before interest and other finance costs and taxation	1	**9,834**	11,183
Interest and other finance costs, including share of associated companies and jointly controlled entities	2	**3,398**	4,144
Profit on disposal of investments less provisions	3	**1,524**	1,900
Profit before taxation		**7,960**	8,939
Taxation	4	**1,080**	1,106
Profit after taxation		**6,880**	7,833
Minority interests		**929**	654
Profit attributable to shareholders	5	**5,951**	7,179
Interim dividend		**2,174**	2,174
Earnings per share	6	**HK$1.40**	HK$1.68
Interim dividend per share		**HK$0.51**	HK$0.51

Notes:

1 Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment.

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Telecommunications is HK$43 million (30 June 2001 – HK$22 million), Property and hotels is HK$234 million (30 June 2001 – HK$237 million) and Retail and manufacturing is HK$43 million (30 June 2001 – HK$43 million).

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

Business segment

Turnover from external customers

	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2001 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Ports and related services	**8,256**	**1,119**	**9,375**	5,580	1,298	6,878
Telecommunications	**4,938**	**1,460**	**6,398**	3,526	1,668	5,194
Property and hotels	**1,988**	**389**	**2,377**	1,853	815	2,668
Retail and manufacturing	**15,015**	**1,349**	**16,364**	13,392	1,154	14,546
Cheung Kong Infrastructure	**1,405**	**3,530**	**4,935**	2,270	2,755	5,025
Husky Energy	**–**	**5,304**	**5,304**	–	6,289	6,289
Finance and investments	**1,717**	**123**	**1,840**	2,687	115	2,802
	33,319	**13,274**	**46,593**	29,308	14,094	43,402

Earnings before interest and other finance costs and taxation

	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2001 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Ports and related services	**2,828**	**336**	**3,164**	2,196	397	2,593
Telecommunications	**630**	**48**	**678**	575	43	618
Property and hotels	**918**	**63**	**981**	888	92	980
Retail and manufacturing	**252**	**56**	**308**	264	9	273
Cheung Kong Infrastructure	**497**	**1,674**	**2,171**	256	1,726	1,982
Husky Energy	**–**	**938**	**938**	–	1,324	1,324
Finance and investments	**1,549**	**45**	**1,594**	3,263	150	3,413
	6,674	**3,160**	**9,834**	7,442	3,741	11,183

Geographical segment

Turnover from external customers

	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2001 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**16,408**	**3,518**	**19,926**	16,894	3,305	20,199
Mainland China	**3,409**	**2,305**	**5,714**	2,571	2,326	4,897
Asia and Australia	**5,695**	**1,906**	**7,601**	4,181	1,705	5,886
Europe	**4,855**	**184**	**5,039**	2,621	395	3,016
Americas and others	**2,952**	**5,361**	**8,313**	3,041	6,363	9,404
	33,319	**13,274**	**46,593**	29,308	14,094	43,402

Earnings before interest and other finance costs and taxation

	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2001 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**2,529**	**1,304**	**3,833**	2,830	1,250	4,080
Mainland China	**408**	**537**	**945**	443	415	858
Asia and Australia	**738**	**401**	**1,139**	362	696	1,058
Europe	**1,399**	**(7)**	**1,392**	940	29	969
Americas and others	**1,600**	**925**	**2,525**	2,867	1,351	4,218
	6,674	**3,160**	**9,834**	7,442	3,741	11,183

2 Interest and other finance costs

	Six months ended 30 June 2002 HK$ millions	2001 HK$ millions
Company and subsidiary companies	**3,085**	3,802
Less: interest capitalised	**(535)**	(382)
	2,550	3,420
Share of associated companies	**576**	489
Share of jointly controlled entities	**272**	235
	3,398	4,144

3 Profit on disposal of investments less provisions

Profit on disposal of investments less provisions for the six months ended 30 June 2002 represents a profit of HK$1,129 million on the sale to strategic partners of equity interests, ranging from 1% to 3%, in certain ports and write-back of a provision previously made for Hutchison Harbour Ring Limited of HK$395 million.

The comparative amounts for the six months ended 30 June 2001 comprise of a profit of HK$30,000 million arising from the merger of VoiceStream Wireless Corporation and Deutsche Telekom AG less a provision of HK$28,100 million for the potential effect of share price and exchange rate fluctuations on overseas investments.

4 Taxation

	Current tax HK$ millions	Deferred tax HK$ millions	Six months ended 30 June 2002 Total tax HK$ millions	2001 Total tax HK$ millions
Hong Kong				
Subsidiary companies	**260**	**(1)**	**259**	244
Associated companies	**175**	**1**	**176**	125
Jointly controlled entities	**29**	**(1)**	**28**	24
Overseas				
Subsidiary companies	**281**	**16**	**297**	157
Associated companies	**88**	**197**	**285**	523
Jointly controlled entities	**38**	**(3)**	**35**	33
	871	**209**	**1,080**	1,106

Hong Kong profits tax has been provided for at the rate of 16% (30 June 2001 – 16%) on the estimated assessable profits less available tax losses. Overseas taxation has been provided for at the applicable rate on the estimated assessable profits less available tax losses.

5 Included in profit attributable to shareholders is a deficit of HK$77 million (30 June 2001 – surplus of HK$34,060 million) transferred from investment revaluation reserves upon disposal of the relevant investments.

6 The calculation of earnings per share is based on profit attributable to shareholders of HK$5,951 million (30 June 2001 – HK$7,179 million, as restated) and on 4,263,370,780 shares in issue during the period ended 30 June 2002 (30 June 2001 – 4,263,370,780 shares).

7 The Group's results for the six months ended 30 June 2001 have been restated to reflect the Group's share of a prior year adjustment of an associated company, Husky Energy Inc, which has adopted the recommendations of the Canadian Institute of Chartered Accountants on Foreign Currency Translation whereby foreign exchange gains and losses on long-term monetary items are no longer deferred and amortised but are reflected in the profit and loss account in the period they are incurred. As a result the profit attributable to shareholders for the period was reduced by HK$14 million and retained profit at 1 January 2001 and 2002 were reduced by HK$88 million and HK$196 million respectively.

8 Certain comparative figures have been reclassified to conform with the current period's presentation.

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholder funds amounted to HK$210,481 million at 30 June 2002 compared to HK$218,077 million at the end of last year. The reduction mainly reflects the decline in global stock market values in the first half of 2002 that has adversely affected the Group's portfolio of listed equity investments, particularly the investments in Vodafone Group and Deutsche Telekom which are marked to market value at each period end. The change in market value, positive or negative, is credited or charged to the revaluation reserve on the balance sheet, unless a decline in value is judged to be a permanent diminution in value, in which case a charge is made to the profit and loss account.

At 30 June 2002, the Group's cash, portfolio of managed debt security funds and other listed investments (including the marked to market value equity investments in Vodafone Group of HK$15,235 million and Deutsche Telekom of HK$8,561 million) totalled HK$121,482 million (31 December – HK$145,336 million) of which 9% were denominated in HK dollars, 64% in US dollars, 13% in Pounds Sterling (mainly investment in Vodafone Group), 11% in Euros (mainly investment in Deutsche Telekom) and 3% in other currencies.

As described in the Annual Report for the year ended 31 December 2001, the Group entered into forward sales contracts to sell in 2002 a portion of the Group's shares in Vodafone Group and Deutsche Telekom. At the same time, the Group also entered into forward contracts to sell, for US dollars, a portion of the Pounds Sterling and Euros to be received from these share sales. During the first half of the year, the Group entered into additional currency forward sales contracts to sell, for US dollars, the remaining consideration receivable.

The Group's pool of consolidated cash and liquid assets of HK$121,482 million (31 December – HK$145,336 million) compares to the Group's total borrowings at 30 June 2002 of HK$155,982 million (31 December – HK$146,992 million). During the first six months of the year, all bi-lateral borrowings that matured were either renewed at satisfactory rates and terms or, at the Group's option, were repaid early or on maturity. During the period and in addition to those disclosed in the 2001 Annual Report, the major bank loans borrowed and repaid by the Group were as follows:

- In March, repaid early, without penalty, a floating interest rate, US$210 million bank loan which was to mature in January, 2004;
- In March, CKI issued a fixed interest rate foreign currency note totalling the equivalent of HK$1,813 million under a US$2,000 million medium term note programme established in March 2001;
- In April, arranged a five year, floating interest rate, HK$1,500 million bank loan to repay at maturity, an existing floating interest rate bank loan;
- In May, CKI arranged a five year, floating interest rate, HK$3,800 million syndicated bank loan to refinance its existing syndicated bank loan of HK$3,100 million maturing in September 2002;
- In June, arranged two, 364 day, floating interest rate, HK$1,000 million bank loans to finance the Hong Kong 3G operations;
- In June, arranged two floating interest rate short term loans totalling A$600 million to finance the Group's share of the Australian 3G operations.

The Group's borrowings at 30 June 2002 are denominated and repayable as follows:

	HK$	US$	£	€	Others	Total
Within 1 year	7%	–	–	1%	3%	11%
In years 2 to 4	11%	29%	7%	3%	5%	55%
In year 5	8%	–	1%	1%	–	10%
In years 6 to 10	2%	12%	–	–	–	14%
In years 11 to 20	–	3%	3%	–	–	6%
Beyond 20 years	–	3%	–	–	1%	4%
	28%	47%	11%	5%	9%	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.

As at 30 June 2002, approximately 43% (31 December – 40%) of the Group's borrowings bear interest at floating rates and the remaining 57% (31 December – 60%) are at fixed rates. At 30 June 2002, the Group has entered into various interest rate agreements with major financial institutions to swap, approximately HK$30,625 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$4,763 million principal amount of an infrastructure related, floating interest rate borrowing, was swapped to a fixed interest rate borrowing. After taking into consideration these interest rate swaps, as at 30 June 2002, approximately 59% (31 December – 41%) of the Group's borrowings bear interest at floating rates and the remaining 41% (31 December – 59%) are at fixed rates.

At 30 June 2002, the Group's net debt to net capital ratio was 12.2% (31 December – 0.7%). The earnings before interest expense, taxation, depreciation and amortisation covered the gross interest expense for the year 3.8 times (31 December – 3.4 times).

At 30 June 2002, assets of HK$65,952 million (31 December – HK$56,792 million) were pledged as security for 3G project financing facilities and HK$18,441 million (31 December – HK$14,988 million) were pledged as security for bank and other loans of the Group. Committed borrowing facilities available to Group companies, but not drawn at 30 June 2002, amounted to the equivalent of HK$62,519 million (31 December – HK$28,195 million), of which HK$24,057 million related to the 3G business in the UK, HK$32,539 million to the 3G business in Italy and HK$1,650 million to the 3G business in Hong Kong.

The Group's capital expenditures were funded primarily from cash generated from operations, cash on hand and to the extent required, by borrowings. During the first six months of the year, the Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$13,893 million (30 June 2001 – HK$2,887 million), of which HK$5,003 million is related to the 3G business in the UK and HK$2,220 million to the 3G business in Italy, which were primarily funded by standalone bank borrowings.

TREASURY POLICIES

The Group's overall treasury and funding policies have remained the same as those described in the Annual Report for the year ended 31 December 2001. During the six month period ended 30 June 2002, the Group has not entered into any material foreign exchange contracts, interest or currency swaps or other financial derivatives except for the currency and interest rate swaps described in the Group Capital Resources and Liquidity section.

CONTINGENT LIABILITIES

At 30 June 2002, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$11,696 million (31 December – HK$11,226 million) of which HK$4,849 million (31 December – HK$4,486 million) is related to property development projects and HK$5,448 million (31 December – HK$5,354 million) is related to telecommunication businesses.

At 30 June 2002, the Group had contingent liabilities in respect of other guarantees amounting to HK$12,314 million (31 December – HK$12,419 million), of which HK$8,596 million (31 December – HK$8,722 million) is related to the procurement of 3G handheld devices and HK$3,718 million (31 December – HK$3,697 million) is related to other guarantees for property businesses and performance guarantees.

EMPLOYEES

At 30 June 2002, excluding associated companies, the Group employed 92,306 people (30 June 2001 – 51,805 people) of whom 24,608 (30 June 2001 – 22,705) were employed in Hong Kong. During the first six months of the year, employee costs, excluding Director's emoluments, totalled HK$6,962 million (30 June 2001 – HK$4,633 million). The Group's employment and remuneration policies remained the same as those described in the Annual Report for the year ended 31 December 2001.

The Company has a long standing policy not to extend personal loans to directors and as at 30 June 2002, there were no personal loans advanced to the Company's directors. The Company currently does not have a share option scheme for its directors or employees. Certain listed associated companies have established such plans for their employees. None of the Company's directors are beneficiaries of such plans.

PUBLICATION OF FURTHER INFORMATION

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") will be published on the Company's and the Exchange's websites in due course. The Group's unaudited interim consolidated financial statements have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with SAS700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. Their review report will be included in the Interim Report to Shareholders.

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