HUTCHISON WHAMPOA LIMITED

Unaudited results for six months ended 30 June 2003

HIGHLIGHTS

	2003 HK$'million	2002 HK$'million	Changes
Profit attributable to shareholders	**6,067**	5,946	2%
Earnings per share	**HK$1.42**	HK$1.39	2%
Interim dividend per share	**HK$0.51**	HK$0.51	–

- **Profit attributable to shareholders, excluding exceptional gains and 3G start-up losses, increased 47%**
- **Earnings before interest expense and taxation ("EBIT") of HK$11,311 million was in line with last year**
- **All divisions reported EBIT growth except the telecommunications division**
- **Successfully started 3G businesses and currently 3G subscribers are approximately 520,000 worldwide**
- **Cash and liquid investments totalled HK$165,110 million**
- **Net debt to net capital ratio of 18%**

CHAIRMAN'S STATEMENT

RESULTS

The Group's unaudited profit attributable to shareholders for the half year amounted to HK$6,067 million, a 2% increase compared to the same period last year. Earnings per share amounted to HK$1.42, an increase of 2%. These results include a net profit on disposal of investments and provisions of HK$1,922 million representing a profit of HK$1,683 million on the disposal of the Group's European water businesses and a profit of HK$1,443 million from the disposal of holdings in Vodafone Group and Deutsche Telekom, a release of provisions made in previous years of HK$1,907 million, and a full write-off of the Group's HK$3,111 million investment in Global Crossing. Excluding exceptional items and the 3G start-up losses in both years, profit attributable to shareholders increased 47%, reflecting healthy continuous growth in the Group's recurring operations.

DIVIDEND

Your Directors have today declared an interim dividend of HK$0.51 per share (2002 – HK$0.51), payable on 10 October 2003 to those persons registered as shareholders on 9 October 2003. The share register of members will be closed from 2 October 2003 to 9 October 2003, both days inclusive.

OPERATIONS

The Group's turnover and EBIT, including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment in Note 2 to the consolidated profit and loss account. Turnover for the period totalled HK$65,879 million, an increase of 41% over last year, mainly due to additional turnover contributed by the Kruidvat Group (which was acquired in October 2002), higher production and commodity prices of Husky Energy, increased throughput in the ports and related services division and sales of development properties. Total EBIT for the period was in line with last year and all of the Group's divisions reported EBIT ahead of last year, except the telecommunications division, mainly due to the start-up 3G businesses and no dividends being received from Deutsche Telekom.

The Group's interest expense for the period, including its share of associated companies and jointly controlled entities' interest expense and net of the finance and investment division's contribution, amounted to HK$1,210 million compared to a net interest expense of HK$1,804 million in the same period last year. The Group's net debt to net capital ratio at 30 June was 18%.

The Group adopted retrospectively, the revised Statement of Standard Accounting Practice 12, "Income Taxes" issued by the Hong Kong Society of Accountants, which became effective on 1 January 2003. As a result, the Group's taxation charge decreased by 16% to HK$808 million compared to the restated prior half year's taxation charge, due to the recognition of net deferred taxation assets of HK$428 million mainly relating to the expected future tax benefits of the current period's 3G start-up losses.

Ports and related services

The ports and related services division reported strong growth in turnover to HK$10,933 million, a 17% increase over the first six months of last year. The combined throughput of the division increased 19% to 19.5 million TEUs (twenty foot equivalent units) and EBIT increased a healthy 14% to HK$3,519 million.

The first half results for the division's major operations were as follows:

- In Hong Kong, Hongkong International Terminals reported throughput in line with last year and EBIT declined 5%.
- The Yantian port operations reported throughput growth of 30% and EBIT growth of 38%.
- In Europe, the combined throughput of the UK ports and European Container Terminal in Rotterdam was in line with last year, although EBIT declined 16%, mainly due to upfront costs incurred in the UK, targeting to improve productivity in the near term.
- In Mexico, Internacional de Contenedores Asociados de Veracruz reported a growth of 16% in throughput and 42% in EBIT.
- In the Shanghai catchment area, combined throughput increased 68% and EBIT was ahead of last year by 39% due to throughput growth at Shanghai Container Terminals and the addition of Shanghai Pudong International Container Terminals at Waigaoqiao, which was acquired by the Group in March this year.
- In Indonesia, Jakarta International Container Terminal's and the adjacent Koja Terminal's combined throughput decreased by 5% and EBIT decreased 10% compared to last year, mainly due to the challenging political and economic environment.

The Group's other ports, when taken as a whole, performed satisfactorily. This division continues to expand the capacity of its existing operations to meet the growing demand for container port services and to maintain earnings growth. In July this year, the first berth at Container Terminal 9 in Kwai Chung started operation. The construction of Phase IIIA of Yantian port in the Mainland is on schedule to add two berths at the end of this year and two more in 2004. The construction of Phase II of Kwangyang port in South Korea is progressing well. Three berths of this seven-berth phase have been completed and the full facility is on schedule for completion in 2004. In addition, in July this year, the Group acquired a 51% interest in a joint venture company which holds a concession to operate an existing one-berth terminal and to develop an 85-hectare deepwater, green field site in the Port of Lazaro Cardenas on the Pacific Coast of Mexico.

Telecommunications

The Group's 2G and related operations reported turnover of HK$7,055 million and EBIT of HK$182 million. EBIT was lower than the HK$794 million reported in the first half last year. Last year's result included a HK$758 million dividend from Deutsche Telekom, which paid no dividends this year. Excluding this dividend, turnover in the Group's 2G and related operations increased 25% and EBIT increased 406%. The Group currently has over 7.1 million 2G subscribers, an increase of 16% from the beginning of the year.

In Hong Kong, the Group maintained its position as the largest mobile operator with approximately 1.7 million subscribers and an approximate 26% market share. This 2G operation has continued to reduce costs and increase efficiencies, which combined with average revenue per user in line with last year's, resulted in EBIT 154% ahead of last year's comparable results. Although affected by a one-time HK$225 million write-off of international bandwidth capacity as a result of Asia Global Crossing's Chapter 11 bankruptcy process, Hutchison Global Communications, which operates a terrestrial fibre optic network in Hong Kong, reported continued customer growth for its broadband, data and voice services. Excluding this one-time charge, EBIT increased 236%. In India, the Group's 2G operations reported EBIT 7% below last year mainly due to start-up losses in Karnataka, Andhra Pradesh and the city of Chennai, each of which commenced GSM network services in June last year. Excluding these start-up losses, EBIT from India's established operations grew 33%. The Group continues to penetrate this rapidly growing mobile telecommunications market and currently has a combined subscriber base of approximately 2.9 million, a 30% increase from the beginning of the year. In Israel, listed Partner Communications announced a net profit attributable to shareholders of US$44 million which represented a very significant improvement over last year's minimal profit. At 30 June, Partner Communications had over 1.9 million subscribers and an approximate 29% of the market share. In Australia, Orange Mobile subscribers increased 6% from the beginning of the year and at 30 June, subscribers exceeded 278,000. The Orange Mobile operations reported a second consecutive half year positive earnings before interest expense, taxation, depreciation and amortisation ("EBITDA") result of A$12 million, a significant improvement over the comparable loss of A$16 million incurred in the first half last year.

During the period, the 3G operations in the UK, Italy and Australia commenced commercial operations. The combined 3G start-up operations reported total turnover of HK$245 million and a loss before interest expense and taxation ("LBIT") of HK$3,895 million. The current summer promotional offerings in the UK, Italy, and Australia have been very well received, resulting in current subscribers of approximately 155,000 in the UK, 300,000 in Italy and 50,000 in Australia, which combined with subscribers in Sweden and Austria total approximately 520,000 worldwide. The Group is working with its handset suppliers to ensure an adequate supply of handsets to meet expected strong consumer demand in the fall and Christmas period. In the UK, the continuing roll-out of network coverage is progressing very well and the over 4,300 cell sites now in operation cover over 70% of the UK population and all major cities in the country. In Italy, network rollout progress is also satisfactory and the over 3,200 cell sites on air cover over 50% of the population and 70 of the top 100 cities in the country. In Australia, network coverage extends to the five largest cities with over 500 cell sites on air. The Group's 3G operations in Sweden and Austria have started business with a soft launch and are continuing to roll out their networks in readiness for a fall and Christmas promotion campaign. Currently, Sweden's network covers most major cities with over 950 cell sites on air. Full coverage is targeted when the joint venture network is completed. In Austria, the network covers approximately 30% of the population including major cities like Vienna, Graz and Linz. In Denmark, network rollout covering major centres is being completed and business is targeted to commence in the fourth quarter. In Hong Kong, the construction of the 3G network has been completed and 3G services are scheduled to be launched after the summer period with a network of over 1,000 cell sites providing full coverage.

Property and hotels

The property and hotels division turnover totalled HK$3,303 million, a 39% increase over last year, mainly due to the completion and sale of more development projects during this period. EBIT of HK$1,061 million was 8% above last year, mainly due to increased profit from the sale of development projects which offset the adverse effect of the SARS outbreak on the hotel businesses in Hong Kong and the Mainland. The Group's rental properties in Hong Kong continue to provide strong recurrent income to the Group. Gross rental income, including the Group's share of associated companies' income amounted to HK$1,137 million, 5% below last year, mainly due to lower rental rates in office buildings as leases were renewed. The rental properties portfolio is 96% let. Development profit was primarily from the completion and sale of residential units in Phase II and III of Le Parc in Shenzhen, The Summit in Shanghai and the Victoria Towers in Hong Kong. The ongoing development projects in Hong Kong, the Mainland and overseas in London and Singapore are progressing satisfactorily. The hotel operations were significantly adversely affected by reduced travel activity as a result of the SARS outbreak. Recent trends indicate that the hotel business in Hong Kong is starting to recover.

Retail and manufacturing

Turnover for the retail and manufacturing division totalled HK$29,352 million, a 79% increase, mainly due to the turnover contributed from the Kruidvat Group acquired in October last year, and from existing health and beauty operations in Asia and the UK. EBIT of HK$599 million was 94% ahead of last year, mainly due to additional profits contributed by the Kruidvat Group and improved results from the Group's joint venture with Procter & Gamble in the Mainland.

The retail markets in Hong Kong, Taiwan, the Mainland and other Asian countries were adversely affected by the outbreak of SARS. Despite these conditions, PARKnSHOP's combined Hong Kong and China operations reported sales in line with last year and improved EBIT as a result of strict cost management and savings initiatives. The health and beauty businesses of this division, which comprise Watsons Your Personal Store in Hong Kong and other parts of Asia, Savers and Superdrug in the UK and the Kruidvat Group in Continental Europe, reported combined sales 259% and EBIT 210% above last year, mainly due to the accretive earnings from the Kruidvat businesses in the UK and Continental Europe, as well as improved results from Savers in the UK, Watsons China and Watsons Taiwan.

Hutchison Harbour Ring, a listed subsidiary, announced turnover, including its share of associated companies' turnover, of HK$796 million and net profit attributable to shareholders of HK$33 million for the first half of this year, an increase of 21% and 40% respectively.

Cheung Kong Infrastructure

Cheung Kong Infrastructure, a listed subsidiary, announced turnover of HK$1,639 million and profit attributable to shareholders of HK$1,403 million, 3% below last year's profit.

Husky Energy

Husky Energy, a listed associated company, announced turnover of C$3,987 million and profit attributable to shareholders of C$833 million, 114% above the comparable period last year. Considering this strong result and the outlook for healthy cash flow, Husky Energy declared a special C$1 per share dividend. Together with the second quarter dividend of C$0.10 per share, the Group will receive cash dividends totalling C$161 million on 1 October.

OUTLOOK

The results of the first half of the year reflect challenging economic conditions with the outbreak of SARS in Hong Kong, the Mainland, and elsewhere in Asia, the Iraq war, poor consumer sentiment and a low interest rate environment. Despite these conditions, all of the Group's businesses performed soundly and benefited strongly from the investments in growth undertaken in prior years. The commencement of 3G services in the UK, Italy and Australia represents a significant milestone for the Group and I am pleased with the progress made to date. For the remainder of the year, the Group will continue to build up their businesses in these markets and will launch 3G services in its other markets. At the same time, the Group will continue to prudently develop and grow its existing core businesses while maintaining its healthy financial position.

The Group's cash and liquid investments amounted to HK$165,110 million at 30 June 2003, of which 7% represented remaining holdings in Vodafone Group and Deutsche Telekom, and cashflow from the existing core businesses remained strong with EBITDA of HK$18,122 million in the first half of this year. The Group's consolidated total debt at 30 June 2003 was HK$226,593 million, and after deducting cash and liquid investments, the Group's net debt position was HK$61,483 million, resulting in a conservative overall net debt to net capital ratio of approximately 18%. The Group will continue to benefit from the steady cashflow and low borrowing levels of its existing core businesses which provide a solid financial base and assure all funding requirements are met as the Group builds its 3G businesses.

Recently there have been preliminary signs of the beginning of an economic recovery and as the Mainland implements new policies that should bring immediate and long term benefits to Hong Kong, the economy should improve in the latter half of the year. However, there remains a risk of slow economic growth for the US and certain European countries and the remainder of the year may still be affected by attendant interest rate, currency and trade volatility. Despite these challenges, I am confident that all of our existing core businesses will continue to perform well and that overall the Group will continue to perform steadily. I am encouraged by the successful launch of our new 3G operations and am confident they will grow rapidly in the fall and Christmas period and create long term value for our shareholders. I would like to thank the Board of Directors and all the Group's employees around the world for their hard work, support and dedication.

Li Ka-shing
Chairman

Hong Kong, 21 August 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June

	Note	Unaudited 2003 HK$ millions	As restated 2002 HK$ millions
Turnover			
Company and subsidiary companies		**47,404**	33,319
Share of associated companies and jointly controlled entities		**18,475**	13,274
	2	**65,879**	46,593
Company and subsidiary companies			
Turnover		**47,404**	33,319
Cost of inventories sold		**20,410**	11,845
Staff costs		**7,565**	5,668
Depreciation and amortisation		**3,627**	2,510
Other operating expenses		**11,611**	7,316
Profit on disposal of investments and provisions	2	**1,922**	2,139
		6,113	8,119
Share of profits less losses of associated companies		**4,238**	2,556
Share of profits less losses of jointly controlled entities		**960**	601
Earnings before interest and taxation	2	**11,311**	11,276
Interest and other finance costs, including share of associated companies and jointly controlled entities	3	**4,562**	3,398
Profit before taxation		**6,749**	7,878
Current taxation charge	4	**1,236**	871
Deferred taxation charge (credit)	4	**(428)**	94
Profit after taxation		**5,941**	6,913
Minority interests		**(126)**	967
Profit attributable to shareholders	5	**6,067**	5,946
Interim dividend		**2,174**	2,174
Earnings per share	6	**HK$1.42**	HK$1.39
Interim dividend per share		**HK$0.51**	HK$0.51

Notes

1 **Accounting Policies**

The Group has adopted, with retrospective effect, the revised Statement of Standard Accounting Practice 12 "Income taxes" to account for deferred taxation, which became effective on 1 January 2003. This change in accounting policy has resulted in an increase in the profit attributable to shareholders for the six months ended 30 June 2003 of HK$350 million (30 June 2002 : decrease of HK$5 million). The opening reserves at 1 January 2003 and 2002 have been reduced by HK$4,031 million and HK$3,923 million respectively. The effect of this change in accounting policy on the balance sheet as at 31 December 2002 is set out in note 4.

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

2 **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$22 million (30 June 2002 – HK$43 million), Property and hotels is HK$205 million (30 June 2002 – HK$234 million) and Retail and manufacturing is HK$39 million (30 June 2002 – 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 2003 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Ports and related services	**9,629**	**1,304**	**10,933**	8,256	1,119	9,375
Telecommunications –						
2G and others (note a)	**5,350**	**1,705**	**7,055**	4,938	1,460	6,398
Telecommunications – 3G (note c)	**245**	**–**	**245**	–	–	–
Property and hotels	**1,574**	**1,729**	**3,303**	1,988	389	2,377
Retail and manufacturing	**27,520**	**1,832**	**29,352**	15,015	1,349	16,364
Cheung Kong Infrastructure	**1,265**	**4,157**	**5,422**	1,405	3,530	4,935
Husky Energy	**–**	**7,610**	**7,610**	–	5,304	5,304
Finance and investments	**1,821**	**138**	**1,959**	1,717	123	1,840
	47,404	**18,475**	**65,879**	33,319	13,274	46,593

Earnings before interest and taxation

	Six months ended 30 June 2003 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Ports and related services	**3,067**	**452**	**3,519**	2,747	333	3,080
Telecommunications –						
2G and others (notes a & b)	**(17)**	**199**	**182**	746	48	794
Telecommunications – 3G (note c)	**(3,895)**	**–**	**(3,895)**	(729)	–	(729)
Property and hotels	**777**	**284**	**1,061**	918	63	981
Retail and manufacturing	**390**	**209**	**599**	252	56	308
Cheung Kong Infrastructure	**559**	**1,961**	**2,520**	497	1,674	2,171
Husky Energy	**–**	**2,051**	**2,051**	–	938	938
Finance and investments	**3,310**	**42**	**3,352**	1,549	45	1,594
	4,191	**5,198**	**9,389**	5,980	3,157	9,137
Profit on disposal of investments and provisions (note d)	**1,922**	**–**	**1,922**	2,139	–	2,139
	6,113	**5,198**	**11,311**	8,119	3,157	11,276

Notes

(a) Telecommunications – 2G and others includes the fixed line business of Hutchison Global Communications in Hong Kong and the 2G operations in Hong Kong, India, Israel and other countries.

(b) Earnings before interest and taxation ("EBIT") for Telecommunications – 2G and others includes a full write-off of the investment in Asia Global Crossing, a company being restructured under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for Southern District of New York, of HK$390 million offset by release of a provision made in previous years of the same amount.

(c) Telecommunications – 3G includes 3G operations in the UK, Italy, Australia, Hong Kong, Sweden, Austria, Denmark and Ireland.

(d) Profit on disposal of investments and provisions for the six months ended 30 June 2003 represents a profit of HK$1,683 million on the disposal of the European water businesses and a profit of HK$1,443 million from the disposal of equity investments in Vodafone and Deutsche Telekom, a release of provisions amounting to HK$1,907 million and a full write-off of the HK$3,111 million investment in Global Crossing. The comparative amounts for the six months ended 30 June 2002 represents profit on sale of equity interests ranging from 1% to 3% in certain ports of HK$1,129 million, write-back of a provision previously made for Hutchison Harbour Ring Limited of HK$395 million and release of provisions amounting to HK$615 million.

Geographical segment

Turnover from external customers

	Six months ended 30 June 2003 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**16,228**	**4,459**	**20,687**	16,408	3,518	19,926
Mainland China	**3,777**	**3,202**	**6,979**	3,409	2,305	5,714
Asia and Australia	**7,135**	**2,619**	**9,754**	5,695	1,906	7,601
Europe	**17,080**	**524**	**17,604**	4,855	184	5,039
Americas and others	**3,184**	**7,671**	**10,855**	2,952	5,361	8,313
	47,404	**18,475**	**65,879**	33,319	13,274	46,593

Earnings before interest and taxation

	Six months ended 30 June 2003 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Six months ended 30 June 2002 Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**2,046**	**1,517**	**3,563**	2,592	1,304	3,896
Mainland China	**1,080**	**940**	**2,020**	408	537	945
Asia and Australia	**476**	**656**	**1,132**	671	398	1,069
Europe	**(2,042)**	**15**	**(2,027)**	731	(7)	724
Americas and others	**2,631**	**2,070**	**4,701**	1,578	925	2,503
	4,191	**5,198**	**9,389**	5,980	3,157	9,137
Profit on disposal of investments and provisions (note d above)	**1,922**	**–**	**1,922**	2,139	–	2,139
	6,113	**5,198**	**11,311**	8,119	3,157	11,276

3 **Interest and other finance costs**

	Six months ended 30 June 2003 HK$ millions	2002 HK$ millions
Company and subsidiary companies	**4,778**	3,085
Less: interest capitalised	**(1,116)**	(535)
	3,662	2,550
Share of associated companies	**682**	576
Share of jointly controlled entities	**218**	272
	4,562	3,398

4 **Taxation**

	Current taxation HK$ millions	Deferred taxation HK$ millions	Six months ended 30 June 2003 Total HK$ millions	2002 Total HK$ millions
Hong Kong				
Subsidiary companies	**246**	**110**	**356**	249
Associated companies	**177**	**201**	**378**	212
Jointly controlled entities	**27**	**8**	**35**	27
Overseas				
Subsidiary companies	**530**	**(1,073)**	**(543)**	140
Associated companies	**197**	**310**	**507**	294
Jointly controlled entities	**59**	**16**	**75**	43
	1,236	**(428)**	**808**	965

Hong Kong profits tax has been provided for at the rate of 17.5% (30 June 2002 – 16%) on the estimated assessable profits less available tax losses. In 2003, The Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Overseas taxation has been provided for at the applicable rate on the estimated assessable profits less available tax losses.

The change in accounting policy in accordance with the revised SSAP 12 "Income taxes" to account for deferred taxation has been applied retrospectively and the comparative amounts previously reported have been restated accordingly. The adjustments to the balance sheet at 31 December 2002 are as follows:

	HK$ millions
Fixed assets	4,483
Deferred tax assets	1,717
Goodwill	(69)
Associated companies	(1,454)
Interests in joint ventures	(199)
Deferred tax liabilities	(8,449)
Minority interests	(60)
Decrease in reserves	(4,031)

5 **Profit attributable to shareholders**

Included in profit attributable to shareholders is a deficit of HK$1,569 million (30 June 2002 – HK$77 million) transferred from investment revaluation reserves upon disposal of the relevant investments.

6 **Earnings per share**

The calculation of earnings per share is based on profit attributable to shareholders of HK$6,067 million (30 June 2002 – HK$5,946 million, as restated) and on 4,263,370,780 shares in issue during 2003 (30 June 2002 – 4,263,370,780 shares).

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholders' funds increased 6% to HK$235,853 million at 30 June 2003 compared to HK$222,145 million at the end of last year (as restated Note 1).

Net debt of the Group at 30 June was HK$61,483 million (31 December – HK$50,229 million) and the net debt to net capital ratio was 18% (31 December – 16%). This ratio is a combination of the net debt to net capital ratio of the existing operations of approximately 14% and of the 3G start-up operations of approximately 24% (31 December – 13% and 21%). The Group will continue to benefit from the steady cashflow and also the low net debt levels of its existing core businesses during the start-up phase of its 3G businesses. EBITDA amounted to HK$18,122 million (2002 – HK$14,786 million) and funds from operations ("FFO"), before capital expenditure and changes in working capital, amounted to HK$9,540 million (2002 – HK$10,421 million). EBITDA and FFO, after adjusting for interest income, covered net interest expense 6.2 and 2.8 times respectively (2002 full year – 13.6 times and 7.8 times).

At 30 June 2003, the Group's cash, portfolio of managed debt security funds and other liquid investments totalled HK$165,110 million (31 December – HK$130,267 million) of which 6% were denominated in HK dollars, 69% in US dollars, 10% in Pounds Sterling, 12% in Euros and 3% in other currencies.

The Group's total borrowings at 30 June 2003 were HK$226,593 million (31 December – HK$180,496 million) of which HK$45,135 million (31 December – HK$26,110 million) relates to the mainly non or limited recourse borrowings of the 3G UK and Italy operations. During the period and in addition to those disclosed in the 2002 Annual Report, the Group completed the following significant financing activities:

- In March and May 2003, issued two ten year fixed interest rate notes of US$1,000 million each, which will be used to repay a portion of the exchangeable notes due in September 2003 and early 2004.

Total borrowings include US$3,000 million principal amount of 2.875% exchangeable notes due in September 2003, which are exchangeable on the basis of US$1,000 principal amount for 196.61 ordinary shares of Vodafone Group at an exchange price of US$5.086 per share and, US$2,657 million principal amount of 2.00% exchangeable notes due in January 2004, which are exchangeable on the basis of US$1,000 principal amount for 214.51 ordinary shares at an exchange price of US$4.6618 per share.

Subsequent to 30 June 2003, significant financing activities were as follows:

- In July, issued ten year fixed interest rate, €1,000 million notes which will be used to repay a portion of the exchangeable notes due in September 2003 and early 2004.
- In July, borrowed a five year floating interest rate, HK$3,800 million bank loan to refinance, a floating interest rate, HK$4,400 million syndicated bank loan.

The Group's borrowings at 30 June, 2003 are denominated and repayable as follows:

	HK$	US$	£	€	Others	Total
Within 1 year	2%	20%	–	–	1%	23%
In year 2	1%	–	9%	–	3%	13%
In year 3	5%	–	–	2%	1%	8%
In year 4	5%	–	1%	–	1%	7%
In year 5	2%	4%	–	3%	2%	11%
In years 6 to 10	3%	18%	1%	9%	–	31%
In years 11 to 20	–	2%	2%	–	–	4%
Beyond 20 years	–	2%	–	–	1%	3%
	18%	46%	13%	14%	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.

At 30 June 2003, approximately 48% of the Group's borrowings bear interest at floating rates and the remaining 52% are at fixed rates. The Group has entered into various interest rate agreements with major financial institutions to swap approximately HK$54,492 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$5,499 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 2003, approximately 69% of the Group's borrowings bear interest at floating rates and the remaining 31% are at fixed rates.

At 30 June 2003, shares of Hutchison 3G UK and Hutchison 3G Italy owned by the Group were pledged as security for their respective project financing facilities. The assets of these two companies totalled HK$151,162 million (31 December – HK$119,812 million). In addition, HK$14,570 million (31 December – HK$22,238 million) of the Group's assets were pledged as security for bank and other loans of the Group. Committed borrowing facilities available to Group companies, but not drawn at 30 June 2003, amounted to the equivalent of HK$44,870 million (31 December – HK$58,573 million), of which HK$41,256 million (31 December – HK$55,748 million) related to 3G operations.

As at 30 June, 2003 the Group had outstanding the following forward sales contracts with major credit worthy financial institutions, which mature later this year. The Group entered into forward sales contracts to dispose of an aggregate of approximately 579 million shares of Vodafone Group at an average price of £1.29 per share. In addition, options were granted for an additional approximately 262 million shares of Vodafone Group, which expire later this year. The Group also entered into forward sales contracts for an aggregate of approximately 56 million shares of Deutsche Telekom at an average price of €13.86 per share. In addition, options were granted for an additional approximately 54 million shares of Deutsche Telekom, which expire later this year. The Group has entered into forward currency sales contracts to sell for US dollars, all of the consideration to be received in Pounds Sterling and Euros from the disposals of shares of Vodafone Group and Deutsche Telekom respectively. The profit from these forward sales contracts, together with spot shares sales, total HK$1,443 million and have been recorded as profits on disposal of investments in the six month period ended 30 June 2003.

The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$18,741 million (31 December – HK$39,198 million), of which HK$13,768 million (31 December – HK$28,282 million) related to 3G operations. The majority of capital expenditures for the 3G operations were funded by mainly non or limited recourse project financing facilities. The Group's remaining capital expenditures were funded primarily from cash generated from operations, cash on hand and to the extent required, by 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 2002. Except as disclosed in the Group Capital Resources and Liquidity section, in the six month period ended 30 June 2003 the Group has not entered into any material foreign exchange contracts, interest or currency swap or other financial derivatives.

CONTINGENT LIABILITIES

At 30 June 2003, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$12,033 million (31 December – HK$11,696 million). At 30 June 2003, the Group had contingent liabilities in respect of guarantees related to the procurement of 3G handsets of HK$13,842 million (31 December – HK$14,116 million), procurement of 3G infrastructure of HK$2,242 million (31 December – HK$2,036 million), and other guarantees totalling HK$4,177 million (31 December – HK$2,103 million).

LEGAL PROCEEDINGS

Hutchison 3G Italia SpA ("H3G Italia") and Hutchison International Limited ("HIL") are currently involved in arbitration proceedings pending before the International Chamber of Commerce for the resolution of a dispute with its joint venture partner CIRtel as to whether CIRtel is in breach of its funding obligations under the H3G Italia shareholders' agreement in demanding the repayment of a €373.2 million shareholder loan from CIRtel to H3G Italia, being CIRtel's pro rata contribution to finance the acquisition of a 3G national network licence in Italy and H3G Italia's initial working capital. HIL and H3G Italia initiated the arbitration proceedings, pursuant to the terms of the shareholders' agreement to seek a ruling that CIRtel is required to irrevocably commit to provide the disputed amount of funding to the joint venture. The hearing of the dispute was held in the week of 9 June 2003. Final submission by the parties are due in September 2003 and a ruling is expected thereafter.

On 2 June 2003, the Company instituted court proceedings in the UK against KPN Mobile N.V. ("KPNM") over a dispute regarding KPNM's breach of contract in its failure to advance the sum of £150 million to Hutchison 3G UK Holdings, being KPNM's pro rata contribution to a funding call for an aggregate amount of £1 billion made by Hutchison 3G UK Holdings on its shareholders dated 11 March 2003. The Company seeks declaratory orders from the court that Hutchison 3G UK Holding's funding call was valid and that KPNM is in breach of its obligations under the shareholders' agreement between the Company and KPNM dated 12 July 2000 in failing to comply with the call on it. The Company also claims damages against KPNM. KPNM disputes the validity of the funding call. KPNM further asserts that the Company has breached the shareholders' agreement by approving, and providing funding in response to, the funding call of 11 March 2003, and seeks to require the Company to purchase all of KPNM's shares in Hutchison 3G UK Holdings for 140% of the fair price of the shares (as determined by an independent investment bank) or, alternatively, the price of the shares as determined by the court. The hearing of the dispute is scheduled to start in November 2003.

EMPLOYEE RELATIONS

At 30 June 2003, the Company and its subsidiaries employed 120,643 people (30 June 2002 – 92,306 people) and the related employee costs for the six month period, excluding Director's emoluments, totalled HK$9,505 million (30 June 2002 – HK$6,962 million). Including the Group's associated companies, at 30 June 2003 the Group employed 159,422 people of whom 28,791 are employed in Hong Kong. The Group's employment and remuneration policies remained the same as those described in the Annual Report for the year ended 31 December 2002.

The Company has a long standing policy not to extend personal loans to directors and as at 30 June 2003, there were no personal loans advanced to the Company's directors. The Company does not have a share option scheme for the purchase of ordinary shares in the Company. 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 the 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.

Hutchison Whampoa Limited

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