LISTING CIRCULAR

US$5,000,000,000

Hutchison Whampoa International (03/33) Limited

(incorporated in the Cayman Islands with limited liability)

US$1,500,000,000 5.45% Guaranteed Notes due 2010
US$2,000,000,000 6.25% Guaranteed Notes due 2014
US$1,500,000,000 7.45% Guaranteed Notes due 2033
unconditionally and irrevocably guaranteed by

Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

Hutchison Whampoa International (03/33) Limited has issued US$1,500,000,000 principal amount of 5.45% guaranteed notes due 2010, US$2,000,000,000 principal amount of 6.25% guaranteed notes due 2014 and US$1,500,000,000 principal amount of 7.45% guaranteed notes due 2033. The obligations of the Issuer are unconditionally and irrevocably guaranteed by Hutchison Whampoa Limited.

The notes will bear interest from November 24, 2003 at the rates set forth above, payable semi-annually in arrears on May 24 and November 24 of each year (commencing May 24, 2004) for the notes due 2010 and the notes due 2033, and payable semi-annually in arrears on January 24 and July 24 of each year (commencing July 24, 2004) for the notes due 2014. The notes will not be redeemable by the Issuer prior to maturity, except upon the occurrence of certain changes in Cayman Islands, Hong Kong or PRC tax law requiring the payment of Additional Amounts as described therein. The notes are unsecured.

The prices to investors are 99.741% of the principal amount of the notes due 2010, 99.897% of the principal amount of the notes due 2014 and 99.774% of the principal amount of the notes due 2033, plus accrued interest from November 24, 2003, if settlement occurs after that date.

Application has been made to list the notes on the Luxembourg Stock Exchange.

The notes have been rated "A-" by Fitch Ratings Ltd., "A3" by Moody's Investors Service Limited and "A-" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. See "Ratings".

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 15 of this listing circular.

The notes have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any other jurisdiction. Unless they are registered, the notes may be offered only in transactions that are exempt from registration under the US Securities Act of 1933 or the securities laws of any other jurisdiction. Accordingly, the notes are only being offered to qualified institutional buyers and persons outside the United States. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions".

The delivery of the notes was made through the facilities of The Depository Trust Company against payment in New York, New York on November 24, 2003.

Joint Bookrunners and Joint Lead Managers for
Notes Due 2010, Notes Due 2014 and Notes Due 2033

Citigroup **Goldman Sachs (Asia) L.L.C.** **HSBC** **Merrill Lynch & Co.**

Joint Bookrunner for Notes Due 2010	Joint Bookrunner for Notes Due 2014	Joint Bookrunner for Notes Due 2033
Deutsche Bank Securities	**JPMorgan**	**Morgan Stanley**

The date of this listing circular is December 15, 2003.

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Except as discussed below, Hutchison Whampoa International (03/33) Limited (the "Issuer") and Hutchison Whampoa Limited ("Hutchison" or the "Guarantor") accept responsibility for the information contained in this document which is material in the context of this offering. To the best knowledge and belief of the Issuer and Hutchison (each of which has taken reasonable care to ensure that such is the case), the information contained in this document (subject as set out below in respect of information contained herein provided by other sources referred to herein) is in accordance with material facts and does not omit anything likely to affect materially the import of such information.

The Luxembourg Stock Exchange takes no responsibility for the contents of this listing circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this listing circular.

The distribution of this listing circular and the offer and sale of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this listing circular comes must inform themselves about and observe any such restrictions. This listing circular does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorized so to act.

Notwithstanding any provision in this listing circular to the contrary, each prospective investor (and each employee, representative, or other agent of each such prospective investor) may disclose to any and all persons, without limitation of any kind, the US federal income tax treatment and US federal income tax structure of any transaction contemplated in this listing circular and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such US federal income tax treatment and US federal income tax structure. This authorization does not extend to information that may be required to be kept confidential in order to comply with applicable securities laws.

Investors should rely only on the information contained or incorporated by reference in this listing circular. The Issuer and the Guarantor have not, and the Initial Purchasers (see "Plan of Distribution" for identities of Initial Purchasers) have not, authorized any other person to provide investors with different information. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. The Issuer, the Guarantor and the Initial Purchasers are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Each investor should assume that the information appearing in this listing circular is accurate only as of November 19, 2003 or the date specifically referred to in its contents. The Guarantor's business, financial condition, results of operations and prospects may have changed since that date.

The Issuer and the Guarantor are relying on an exemption from registration under the US Securities Act of 1933 for offers and sales of securities that do not involve a public offering. By purchasing notes, investors will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this listing circular. Investors should understand that they will be required to bear the financial risks of their investment for an indefinite period of time.

The Issuer has submitted this listing circular for the purposes of listing the notes described on the front cover of this listing circular on the Luxembourg Stock Exchange. Neither the Issuer nor the Guarantor has authorized its use for any other purpose. This listing circular may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this listing circular, each investor agrees to these restrictions. See "Transfer Restrictions".

Having made all reasonable inquiries, the Issuer and the Guarantor confirm that this listing circular contains all information with respect to the Issuer and the Guarantor and the notes which is material in the context of the issue and the offering of the notes, and that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that the Issuer and the Guarantor are not aware of any facts the omission of which would make any such information or the expression of any such opinions and intentions materially misleading.

This listing circular is based on information provided by the Issuer and the Guarantor and by other sources (such as publications from the Rating and Valuation Department of the Hong Kong government) referred to herein that they believe are reliable. The Issuer and the Guarantor accept responsibility for accurately reproducing such information provided by such other sources. The Issuer and the Guarantor accept no further or other responsibility in respect of such information. No assurance can be given that this information is accurate or complete. This listing circular summarizes certain documents and other information and investors should refer to them for a more complete understanding of what is discussed in this listing circular. In making an investment decision, each investor must rely on its own examination of the Issuer and the Guarantor and the terms of the offering and the notes, including the merits and risks involved.

Neither the Issuer nor the Guarantor is making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. Investors should not consider any information in this listing circular to be legal, business or tax advice. Each investor should consult its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Investors should contact the Initial Purchasers with any questions about this offering or if they require additional information to verify the information contained in this listing circular.

Neither the US Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this listing circular is truthful or complete. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE INITIAL PURCHASERS OR ANY PERSON ACTING FOR THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE TIME OF DELIVERY. HOWEVER THERE MAY BE NO OBLIGATION ON THE INITIAL PURCHASERS OR ANY AGENT OF THE INITIAL PURCHASERS TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CURRENCY OF PRESENTATION AND CERTAIN DEFINITIONS

"Hutchison" means Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, and its subsidiaries, unless the context otherwise requires, and references in Hutchison's consolidated financial statements to the "Group" are to Hutchison and all of its direct and indirect subsidiaries and also includes Hutchison's interest in associated companies and joint ventures on the basis set forth in Notes 1C, 1D and 1E, respectively, to the consolidated financial statements of Hutchison. See "Consolidated Financial Statements of Hutchison". Certain of Hutchison's subsidiaries are not wholly owned, as described more fully herein. As used in this listing circular, "PRC" means the People's Republic of China, "Mainland" means the People's Republic of China excluding Hong Kong, Macau and Taiwan and "Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

Hutchison publishes its financial statements in Hong Kong dollars ("HK$"). For the convenience of the reader, this listing circular presents translations into US dollars ("US$") of certain Hong Kong dollar amounts at the rate of HK$7.80 = US$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into US dollars at the rate indicated or at any other rate. On November 18, 2003, the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), was HK$7.76 = US$1.00. This listing circular also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB"), Cayman Islands dollar ("C.I.$") and certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

As used in this listing circular, "EBIT" is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation and minority interests. Hutchison presents EBIT in certain tables and discussions in this listing circular in addition to other financial information because it believes EBIT is a widely accepted financial performance indicator. EBIT should not be considered by an investor as an alternative to profit attributable to shareholders or cash flow data prepared in conformity with generally accepted accounting principles. Hutchison's calculation of EBIT may differ from similar titled computations of other companies.

"EBITDA" is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation, depreciation and amortization and minority interests, excluding the non-cash portion of profit on disposal of investments and provisions. Hutchison presents EBITDA in certain tables in this listing circular in addition to other financial information because it believes EBITDA is a widely accepted financial performance indicator. EBITDA should not be considered by an investor as an alternative to profit attributable to shareholders or cash flow data prepared in conformity with generally accepted accounting principles. Hutchison's calculation of EBITDA differs from its calculation of EBIT and may differ from similarly titled computations of other companies.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated in the Cayman Islands and Hutchison is incorporated in Hong Kong. All or a substantial portion of the assets of the Issuer and the Guarantor are located outside the US. In addition, none of the directors and executive officers of the Issuer and the Guarantor are, and certain of the experts named herein are not, residents of the US, and all or a substantial portion of the assets of such persons may be located outside the US. As a result, it may not be possible for investors to effect service of process within the US upon such persons, the Issuer or the Guarantor, or to enforce against them judgments obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the US. The Issuer has been advised by its Cayman Islands counsel, Maples and Calder Asia, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in Hong Kong, England or New York, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize as the basis for a claim at common law in the Cayman Islands a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters and was not obtained in a manner, and is not of a kind the enforcement of which is, contrary to the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will (i) recognize or enforce judgments of United States courts predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (ii) in original actions brought in the Cayman Islands, impose liabilities based upon the civil liability provisions of the securities laws of the United States or any state thereof, on the grounds that such provisions are penal in nature. Additionally, a Cayman Islands' court may stay proceedings if concurrent proceedings are being brought elsewhere.

The Guarantor has been advised by its Hong Kong counsel, Woo, Kwan, Lee & Lo, that there is no treaty between Hong Kong and the United States providing for reciprocal enforcement of judgments.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this listing circular.

The Issuer

The Issuer, a wholly owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on September 17, 2003. Its registered office is located at the offices of M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, registration number CR129111. The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly owned subsidiary of the Guarantor as long as the notes are outstanding and will advance the net proceeds of the notes to Hutchison and/or its subsidiaries. The Issuer has no material assets.

Hutchison Whampoa Limited

Hutchison Whampoa Limited, a company incorporated in Hong Kong on July 26, 1977 under no. 54532 in the Companies Registry with limited liability, is the holding company of the Hutchison group of companies. It is a Hong Kong-based multinational conglomerate whose securities are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Hutchison operates five core business divisions in 39 countries: ports and related services; telecommunications; property and hotels; retail and manufacturing; and infrastructure, energy, finance and investments. Significant developments in Hutchison's business since June 30, 2003 are summarized below under "Recent Developments".

The objects for which Hutchison is established are described in clause 3 of Hutchison's Memorandum of Association, copies of which are available as described under "General Information".

Ports and Related Services

Hutchison is the world's largest privately-owned container terminal operator in terms of throughput handled. The ports and related services division holds interests in 32 ports in 15 countries, including interests in container terminals operating in five of the seven busiest container ports in the world, and handled combined container throughput of 35.8 million twenty foot equivalent units ("TEUs") in 2002 and 19.5 million TEUs in the six months ended June 30, 2003. The holdings of the division are its interests in various ports including:

- Hong Kong (the busiest container port in the world in 2002), where Hutchison operates thirteen of the nineteen available container berths through Hongkong International Terminals ("HIT") and COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), a joint venture between HIT and China Ocean Shipping (Group) Company;
- the Mainland, where Hutchison holds interests in Yantian International Container Terminals Limited ("YICT"), Shanghai Container Terminals and Shanghai Pudong International Container Terminals as well as other ports;
- the UK and Continental Europe, where Hutchison holds interests in the Port of Felixstowe (UK), Thamesport (UK), Harwich (UK) and Europe Container Terminals B.V. (the Netherlands) ("ECT");
- Indonesia, where Hutchison holds interests in Jakarta International Container Terminal ("JICT") and Koja Terminal;
- South Korea, where Hutchison currently operates two terminals in Busan Port and two terminals in Kwangyang Port through Hutchison Korea Terminals and Korea International Terminals;

- Mexico, where Hutchison holds interests in Internacional de Contenedores Asociados de Veracruz, which is located on the east coast as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast; and
- Saudi Arabia, where Hutchison holds interests in International Ports Services at Dammam.

The division also has interests in other ports and port development projects and interests in ship repair, salvage and towage operations in Hong Kong. The ports and related services division contributed 18.5% of Hutchison's turnover and 25.7% of Hutchison's EBIT in 2002 and 16.6% of Hutchison's turnover and 31.1% of Hutchison's EBIT in the six months ended June 30, 2003.

Telecommunications

Hutchison is a leading worldwide competitor in mobile telecommunications. The telecommunications division is composed of the 2G and other operations and the 3G businesses.

The 2G and other operations:

- operate second generation ("2G") Global System for Mobile Communications ("GSM") and Code Division Multiple Access ("CDMA") mobile telecommunications networks in Hong Kong, Israel, India and certain other countries, with a global 2G subscriber base of over 7.1 million as of August 2003;
- in Thailand, provide mobile broadband services using the CDMA-1X in central Thailand under a 15 year concession;
- provide fixed line services on its fiber optic fixed line network in Hong Kong through Hutchison Global Communications Limited ("Hutchison Global Communications"), participate in e-commerce businesses with various strategic partners and hold a 24.7% interest in TOM.COM Limited ("TOM.COM"), a leading Chinese-language media group, which is listed on the Growth Enterprise Market ("GEM") of the SEHK.

The 3G businesses:

- are developing third generation ("3G") mobile telecommunications operations in Hong Kong, the UK, Ireland, Italy, Sweden, Norway, Denmark, Austria, Israel and Australia. Hutchison has commenced 3G operations in the UK, Italy, Sweden, Austria and Australia, and Hutchison was the first-to-market operator in these countries.
  - — In the UK and Italy, Hutchison has commenced 3G operations. The UK network currently covers 72% of the population with over 4,900 cell sites and approximately 99% of the population via a national roaming agreement with O_2 (UK) Limited (formerly known as BT Cellnet Limited). As of the end of August 2003, UK had approximately 155,000 subscribers. In Italy, the network now covers over 50% of the population with over 3,600 cell sites and approximately 100% of the population via a roaming agreement with TIM S.p.A. As of the end of August 2003, Italy had approximately 300,000 subscribers;
  - — In Australia, the 3G operation announced the initial offering of services in Sydney and Melbourne from mid-April 2003 and services expanded to Brisbane, Adelaide and Perth in July 2003. The network now covers approximately 64% of the population of its license area with over 1,600 cell sites and approximately 92% of the nationwide population via a 2G roaming agreement with Vodafone. As of the end of August 2003, Australia had approximately 50,000 subscribers;
  - — In Austria, offering of service commenced in May 2003 and the 3G network now covers over 35% of the population with over 780 cell sites and approximately 98% of the population via a 2G roaming agreement with Mobilkom;
  - — Hutchison's Scandinavian 3G operations in Sweden and Denmark share some common infrastructure and are managed out of HI3G Access in Sweden. In September

2003, HI3G Access Norway, a wholly owned subsidiary of HI3G Access, was awarded a license to offer 3G services in Norway. HI3G Access has commenced operations in Sweden and currently the network covers most of the major cities. In Denmark, HI3G Denmark commenced a limited service in October 2003 and is expected to roll out further services in 2004; and

— Hutchison's 3G businesses are planning to commence services in Hong Kong later in 2003 or early 2004.

The telecommunications division contributed 12.0% of Hutchison's turnover and (4.3)% of Hutchison's EBIT in 2002, and 11.1% of Hutchison's turnover and (32.8)% of Hutchison's EBIT in the six months ended June 30, 2003.

Property and Hotels

Hutchison's property and hotels division:

- holds a rental portfolio of office, commercial, industrial and residential space principally in Hong Kong and the Mainland. As of June 30, 2003, the portfolio comprised approximately 15.7 million square feet, the leasing of which accounted for the majority of the division's turnover and EBIT;
- manages investment properties and development activities for Hutchison and certain of its associated companies and jointly controlled entities;
- acts as a developer of residential, commercial, office, hotel and recreational projects, principally in Hong Kong and the Mainland; and
- owns and operates hotels in Hong Kong, the Mainland and the Bahamas.

The property and hotels division contributed 10.5% of Hutchison's turnover and 10.0% of Hutchison's EBIT in 2002, and 5.0% of Hutchison's turnover and 9.4% of Hutchison's EBIT in the six months ended June 30, 2003.

Retail and Manufacturing

Hutchison's retail and manufacturing division holds interests in:

- AS Watson & Company, Limited ("AS Watson"), one of the world's largest health and beauty retail chains in terms of store numbers, and also operates major chains of supermarkets and consumer electrical goods stores. In October 2002, AS Watson acquired the Kruidvat Group, one of Europe's leading health and beauty retail businesses with a store portfolio of 1,900 outlets operating under five retail chains in six European countries. Including Kruidvat, AS Watson currently has over 3,300 stores in Europe, in the PRC and in several other countries in South East Asia. AS Watson also manufactures and distributes water and beverage products in Hong Kong and in the Mainland;
- Hutchison China, which operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK; and
- 62% of Hutchison Harbour Ring Limited ("HHR"), a listed company in Hong Kong that engages in the manufacturing and trading of hard, soft and electronic toys, and high quality consumer electronic products and accessories. HHR also holds some investment properties in the Mainland.

The retail and manufacturing division contributed 35.5% of Hutchison's turnover and 4.0% of Hutchison's EBIT in 2002, and 44.6% of Hutchison's turnover and 5.3% of Hutchison's EBIT in the six months ended June 30, 2003.

Infrastructure, Energy, Finance and Investments

Cheung Kong Infrastructure

Hutchison has an 84.6% interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), the largest publicly listed infrastructure company in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, Australia and the Mainland. CKI's major interests are:

- a 38.9% interest in Hongkong Electric Holdings Limited ("Hongkong Electric Holdings"), a listed company in Hong Kong that, through a wholly owned subsidiary, generates, transmits, distributes, and is the sole provider of, electricity to Hong Kong Island and Lamma Island in Hong Kong;

- combined with interests of Hongkong Electric Holdings, 100% interests in joint investments, held on a 50/50 basis, in ETSA Utilities, the sole electricity distributor in the State of South Australia, in Powercor Australia Limited ("Powercor"), the largest electricity distributor in the State of Victoria, and in CitiPower I Pty Ltd. ("CitiPower"), another major electricity distributor in the state of Victoria. CKI and Hongkong Electric Holdings together have become the largest electricity distributor in Australia. CKI also owns a 19% stake in Envestra Limited ("Envestra"), the largest listed natural gas distribution company in Australia;

- a power generating portfolio with over 1,800 MW of gross capacity in the Mainland;

- an infrastructure materials business that produces cement, concrete, asphalt and aggregates in Hong Kong and the Mainland. CKI also has interests in joint ventures that own and operate approximately 480 km of toll roads and bridges in the Mainland and a cross-harbor rail tunnel in Hong Kong; and

- a contract to construct the Cross City Tunnel in Sydney, Australia, which will connect Sydney's eastern suburbs with the western side of the city, which contract is held through a consortium led by CKI.

CKI contributed 9.6% of Hutchison's turnover and 19.3% of Hutchison's EBIT in 2002, and 8.2% of Hutchison's turnover and 22.3% of Hutchison's EBIT in the six months ended June 30, 2003.

Husky Energy

Hutchison holds a 35.0% interest in Husky Energy Inc. ("Husky Energy"), an integrated energy and energy-related company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration for and development and production of crude oil, natural gas liquids and natural gas in western Canada, offshore the Canadian east coast, offshore South China and, to a limited extent, other international areas;

- the midstream segment comprising upgrading operations, oil and gas marketing operations, pipeline transportation and processing of heavy crude oil, cogeneration of electrical and thermal energy and storage of crude oil and natural gas; and

- the refined products segment, which includes the refining of crude oil and marketing of refined petroleum products, including gasoline, alternative fuels and asphalt.

Husky Energy contributed 10.1% of Hutchison's turnover and 8.1% of Hutchison's EBIT in 2002, and 11.5% of Hutchison's turnover and 18.1% of Hutchison's EBIT in the six months ended June 30, 2003.

Finance and Investments

Hutchison also receives substantial income from its finance and investments division. The division is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments and its contribution increased following Hutchison's receipt of consideration generated from the sales of certain 2G telecommunications assets in 1999 and 2000. The finance and investments division contributed 3.8% of Hutchison's turnover and 24.0% of Hutchison's EBIT in 2002, and 3.0% of Hutchison's turnover and 29.6% of Hutchison's EBIT in the six months ended June 30, 2003.

Recent Developments

The following significant developments have taken place subsequent to June 30, 2003:

In July 2003, Hutchison Whampoa Finance (03/13) Limited, a wholly owned indirect subsidiary of Hutchison, issued €1,000 million (approximately HK$8,940 million) of 5.875% notes due in 2013, guaranteed by Hutchison, the proceeds of which have been used to repay a portion of Hutchison's US$3,000 million in outstanding principal amount of exchangeable notes due in 2003. The balance of these funds will be used to repay a portion of the exchangeable notes due in 2004.

In July 2003, Hutchison International Finance (03/08) Limited, a wholly owned indirect subsidiary of Hutchison obtained a HK$3,800 million floating interest bank syndicated facility repayable in 2008, guaranteed by Hutchison, which was used to refinance a HK$4,400 million floating interest rate syndicated bank facility.

In September 2003, HI3G Access Norway, a wholly owned subsidiary of HI3G Access was awarded a license to offer 3G services in Norway.

In October 2003, Husky Energy released its unaudited results for the third quarter of 2003, with reported net earnings of C$243 million (C$0.54 per share, diluted) compared with C$173 million (C$0.38 per share, diluted) in the third quarter of 2002. Cash flow from operations was C$604 million (C$1.42 per share, diluted), up from C$590 million (C$1.39 per share, diluted) in the third quarter of 2002. Production in the third quarter of 2003 was 300,200 barrels of oil equivalent per day, a 2% decrease over the third quarter of 2002.

In October 2003, Hutchison's 2G interest in Israel, Partner Communications, released its earnings for the third quarter of 2003. Partner Communications reported revenue of NIS1,196 million (US$269 million), an increase of 12% compared with NIS1,071 million in the third quarter of 2002. EBITDA for the third quarter of 2003 was NIS393 million (US$88 million), an increase of 35% compared with NIS292 million in the third quarter of 2002. Operating profit for the third quarter of 2003 was NIS267 million (US$60 million), an increase of 64% compared with NIS162 million in the third quarter of 2002. Net income for the third quarter of 2003 was NIS169 million (US$38 million), a 229% increase from NIS51 million in the third quarter of 2002. The number of active subscribers at the end of the third quarter reached 2,032,000, an increase of 16% compared to 1,758,000 at the end of the third quarter of 2002. Market share increased to an estimated 30% in the third quarter of 2003 compared to 28% at the end of the third quarter of 2002.

In June 2003, Hutchison instituted a court proceeding in the UK against KPN Mobile N.V. ("KPN") with respect to a dispute regarding KPN's alleged breach of a shareholders' agreement. In July 2003, KPN presented a petition to the UK court alleging that Hutchison's conduct had been unfairly prejudicial to the interests of KPN under this shareholders' agreement. All court proceedings relating to both disputes were settled on November 7, 2003. Pursuant to the settlement agreements, Hutchison agreed to purchase KPN's 15% interest in Hutchison 3G UK for an aggregate of £90 million, with £60 million paid on November 7, 2003 and the remainder payable in three equal installments plus interest ending on December 31, 2007. KPN's shares in Hutchison 3G UK will be held in escrow until title to the shares passes to Hutchison upon full payment of the aggregate purchase price. Hutchison has the right to accelerate payment at its option. As part of the settlement, KPN's rights and obligations under the shareholders' agreement were terminated and all of KPN's nominated directors resigned from the board of Hutchison 3G UK as of November 7, 2003.

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes and the Guarantee" in this listing circular.

Issuer	Hutchison Whampoa International (03/33) Limited
Guarantor	Hutchison Whampoa Limited
Notes Offered	US$1,500,000,000 principal amount of 5.45% guaranteed notes due 2010 (the "Notes Due 2010"); US$2,000,000,000 principal amount of 6.25% guaranteed notes due 2014 (the "Notes Due 2014"); and US$1,500,000,000 principal amount of 7.45% guaranteed notes due 2033 (the "Notes Due 2033"). The Notes Due 2010, the Notes Due 2014 and the Notes Due 2033 are collectively referred to in this listing circular as the "notes". The notes were offered (i) in the United States to "qualified institutional buyers", as defined in and in reliance on, Rule 144A under the US Securities Act of 1933 ("Securities Act") and (ii) to non U.S. persons outside the United States in reliance on Regulation S under the Securities Act. See "Plan of Distribution".
Issue Prices	99.741% of principal amount plus accrued interest, if any, from November 24, 2003 with respect to the Notes Due 2010. 99.897% of principal amount plus accrued interest, if any, from November 24, 2003 with respect to the Notes Due 2014. 99.774% of principal amount plus accrued interest, if any, from November 24, 2003 with respect to the Notes Due 2033.
Maturity Dates	November 24, 2010 with respect to the Notes Due 2010. January 24, 2014 with respect to the Notes Due 2014. November 24, 2033 with respect to the Notes Due 2033.
Interest	The Notes Due 2010, the Notes Due 2014 and the Notes Due 2033 will bear interest at 5.45%, 6.25% and 7.45% respectively, from November 24, 2003 and be payable semi-annually in arrears. Interest will be calculated on the basis of a 360-day year and twelve 30 day months.
Interest Payment Dates	May 24 and November 24 of each year, commencing May 24, 2004, with respect to the Notes Due 2010 and the Notes Due 2033, and January 24 and July 24 of each year, commencing July 24, 2004, with respect to the Notes Due 2014.

Status of Notes and Guarantee	The notes will constitute direct, senior, unsecured and unsubordinated obligations of the Issuer ranking *pari passu*, without any preference or priority of payment, among themselves and among each series thereof and with all other unsecured and unsubordinated indebtedness of the Issuer. The guarantee will constitute a direct, senior, unsecured and unsubordinated obligation of the Guarantor ranking *pari passu* with all other unsecured and unsubordinated indebtedness of the Guarantor.
Covenants	The Issuer and the Guarantor have agreed to observe certain covenants. See "Description of the Notes and the Guarantee — Certain Covenants".
Additional Amounts	In the event that certain Cayman Islands, Hong Kong or PRC taxes are payable in respect of payments pursuant to the notes or pursuant to the guarantee, the Issuer or the Guarantor, as the case may be, will, subject to certain exceptions, pay such additional amounts under the notes as will result, after deduction or withholding of such taxes, in the payment of an amount which would have been payable in respect of the notes had no such deduction or withholding been required. See "Description of the Notes and the Guarantee — Additional Amounts" and "— Redemption".
Redemption	None, except that notes of any series may be redeemed at the option of the Issuer or the Guarantor, in whole but not in part with respect to such series, at the principal amount thereof plus accrued and unpaid interest, in the event the Issuer or the Guarantor would become obligated to pay certain Cayman Islands, Hong Kong or PRC taxes in respect of the notes. See "Description of the Notes and the Guarantee — Redemption".
Denomination, Form and Registration	The notes will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 above that amount. Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without interest coupons deposited with The Bank of New York as custodian for and registered in the name of Cede & Co., as nominee of DTC. Notes offered outside the United States in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons deposited with The Bank of New York as custodian for, and registered in the name of, a nominee of DTC for the respective accounts of Euroclear Bank S.A./N.V. ("Euroclear"), as operator of the Euroclear System, and Clearstream Banking société anonyme ("Clearstream").

	DTC will credit the account of each of its participants, including Euroclear and Clearstream, with the principal amount of notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.
Governing Law	The notes and the Fiscal Agency Agreement (including the guarantee) will be governed by New York law.
Ratings	The notes have been rated "A-" by Fitch Ratings Ltd. ("Fitch"), "A3" by Moody's Investor Service Limited ("Moody's") and "A-" by Standard & Poor's Ratings Services ("S&P"), a division of the McGraw-Hill Companies, Inc. Security ratings are not recommendations to buy, sell or hold the notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Transfer Restrictions	The notes have not been registered under the Securities Act or any state securities law. Unless they are registered, the notes may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws.
Risk Factors	See "Risk Factors" and the other information in this listing circular for a discussion of factors that should be carefully considered before deciding to invest in the notes.
Listing	Application has been made to list the notes on the Luxembourg Stock Exchange. The Issuer cannot guarantee that the application to the Luxembourg Stock Exchange will be approved. The offering and settlement of the notes are not conditional on obtaining such listing.

SUMMARY FINANCIAL INFORMATION OF HUTCHISON

The following tables present summary consolidated financial information of Hutchison. This information should be read in conjunction with the consolidated financial statements of Hutchison and the notes thereto, the "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison" and other historical financial information that appear elsewhere herein. In 2003, Hutchison was required to adopt the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants which became effective on January 1, 2003 and to apply this revised SSAP retrospectively to the financial statements of previous years. The unaudited interim financial statements included elsewhere in this listing circular for the six months ended June 30, 2003 were prepared under the revised SSAP 12 and the comparative financial statements for the six months ended June 30, 2002 were restated accordingly. The summary consolidated financial information for the six months ended June 30, 2002 and 2003, is derived from Hutchison's unaudited interim consolidated financial statements for such periods included elsewhere in this listing circular. Except for the adoption of SSAP 12, such interim financial information has been prepared on a basis consistent with the audited financial statements included in this listing circular. Such interim financial information is derived from Hutchison's accounting books and records for such periods, which have not been audited but reflect all adjustments (consisting of normal recurring items) which Hutchison's management considers necessary for the fair presentation of Hutchison's financial position and results of operations. For consistency and comparison purposes, the consolidated financial information for the years ended December 31, 2000, 2001 and 2002 included below has been restated to apply retrospectively the revised SSAP 12. The consolidated financial statements for the years ended December 31, 2000, 2001 and 2002, previously published in the respective annual reports and included elsewhere in this listing circular have been audited by PricewaterhouseCoopers, certified public accountants, whose report on the consolidated financial statements for the years ended December 31, 2000, 2001 and 2002 is included elsewhere in this listing circular. In addition, the consolidated financial information for the years ended December 31, 2000, 2001 and 2002, included below has been derived from Hutchison's revised consolidated financial statements, revised to apply SSAP 12 and audited by PricewaterhouseCoopers, certified public accountants. Hutchison's revised consolidated financial statements are not included elsewhere in this listing circular.

Hutchison's consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in Hong Kong ("Hong Kong GAAP"), which vary in certain material respects from generally accepted accounting principles in the US ("US GAAP"). For a description of certain of the differences between Hong Kong GAAP and US GAAP with respect to Hutchison's consolidated financial statements, see "Summary of Principal Differences between Hong Kong GAAP and US GAAP".

In 2002, Hutchison adopted new or revised SSAPs effective for accounting periods commencing on January 1, 2002. These included the new SSAP 33 "Discontinued Operations" and SSAP 34 "Employee Benefits" and the revised SSAP 15 "Cash Flow Statements". The adoption of these new or revised SSAPs had no material effects on Hutchison's results.

Financial statements of the Issuer have not been presented since the Issuer's primary business relates to the financing of Hutchison's operations.

The translations of HK dollar amounts into US dollars were made at the rate of HK$7.80 = US$1.00.

Consolidated Profit and Loss:

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	Restated(1) 2000	Restated(1) 2001	Restated(1) 2002	Restated(1) 2002	Restated(1) 2002	2003	2003
	(in millions, except per share information)						
Turnover							
Company and subsidiary companies	HK$ 57,022	HK$ 61,460	HK$ 75,235	US$ 9,646	HK$ 33,319	HK$ 47,404	US$ 6,077
Share of associated companies and jointly controlled entities	27,803	27,578	35,894	4,601	13,274	18,475	2,369
Total turnover	HK$ 84,825	HK$ 89,038	HK$ 111,129	US$ 14,247	HK$ 46,593	HK$ 65,879	US$ 8,446
Company and subsidiary companies turnover	HK$ 57,022	HK$ 61,460	HK$ 75,235	US$ 9,646	HK$ 33,319	HK$ 47,404	US$ 6,077
Operating expenses	44,045	47,461	61,044	7,826	27,339	43,213	5,539
Profit on disposal of investments and provision	26,037	3,586	3,395	435	2,139	1,922	246
Operating profit	HK$ 39,014	HK$ 17,585	HK$ 17,586	US$ 2,255	HK$ 8,119	HK$ 6,113	US$ 784
Share of profits less losses of associated companies	4,460	5,644	6,337	812	2,556	4,238	543
Share of profits less losses of jointly controlled entities	1,680	1,477	1,872	240	601	960	123
Earnings before interest, finance costs and taxation ("EBIT")(2)	45,154	24,706	25,795	3,307	11,276	11,311	1,450
Finance cost of company and subsidiaries	6,460	6,952	5,262	674	2,550	3,662	470
Share of finance cost of associated companies and jointly controlled entities	1,454	1,815	1,831	235	848	900	115
Profit before taxation	HK$ 37,240	HK$ 15,939	HK$ 18,702	US$ 2,398	HK$ 7,878	HK$ 6,749	US$ 865
Current taxation charge	1,302	1,577	2,015	258	871	1,236	158
Deferred taxation charge (credit)	335	530	318	41	94	(428)	(55)
Profit after taxation	HK$ 35,603	HK$ 13,832	HK$ 16,369	US$ 2,099	HK$ 6,913	HK$ 5,941	US$ 762
Minority interests	1,403	1,860	2,007	257	967	(126)	(16)
Profit attributable to the shareholders	HK$ 34,200	HK$ 11,972	HK$ 14,362	US$ 1,842	HK$ 5,946	HK$ 6,067	US$ 778
Dividends	HK$ 7,375	HK$ 7,375	HK$ 7,375	US$ 946	HK$ 2,174	HK$ 2,174	US$ 279
Earnings per share(3)	HK$ 8.02	HK$ 2.81	HK$ 3.37	US$ 0.43	HK$ 1.39	HK$ 1.42	US$ 0.18
Dividends per share	1.73	1.73	1.73	0.22	0.51	0.51	0.07

(1) The profit attributable to the shareholders for the year ended December 31, 2000, 2001 and 2002 have been restated to reflect Hutchison's adoption of the revised SSAP 12 "Income taxes" to account for deferred taxation which became effective on January 1, 2003 and applied retrospectively. As a result, the profit attributable to shareholders for the year ended December 31, 2000, 2001 and 2002 and six months ended June 30, 2002 have been increased by HK$131 million, reduced by HK$8 million, increased by HK$74 million and reduced by HK$5 million, respectively.

(2) EBIT is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation and minority interests. Hutchison's computation of EBIT may differ from similarly titled computations of other companies.

(3) Earnings per share is calculated based on profit attributable to shareholders divided by the weighted average number of shares in issue during the reporting period.

(4) Certain comparative figures have been reclassified to conform with the latest period's presentation.

Ratios:

	Year Ended December 31[1][2],			Six Months Ended June 30,	
	As Restated 2000	As Restated 2001	As Restated 2002	2002	2003
Return on Average Shareholders' Funds (%)	13.8	5.2	6.6	2.8	2.6
Current Ratio	1.4	2.0	1.1	1.5	1.4
Earnings to Fixed Charges	6.0	3.1	3.9	3.6	2.4
EBITDA to Fixed Charges	6.5	4.3	5.2	4.8	3.8
EBITDA to Net Interest[3]	28.0	11.1	13.6	10.9	6.2
FFO to Net Interest[3]	20.9	4.5	7.8	7.2	2.8
Net Debt/EBITDA[4]	N/A	0.1	1.5	2.3	3.4
FFO/Net Debt (%)[4]	N/A	1,000.7	41.5	30.2	15.5
Net Debt/Net Total Capital (%)[4]	N/A	0.7	16.1	12.4	18.1
Net Assets per share — Book Value (HK$)	58.5	50.2	52.1	48.4	55.3

(1) In 2002, Hutchison adopted the new or revised SSAPs effective for accounting periods commencing on January 1, 2002, including the revised SSAP 15 on cash flow statements. The ratios for 2000 and 2001 above have been restated to reflect changes resulting from the implementation of these SSAPs.

(2) In 2003, Hutchison has adopted the revised SSAP 12 "Income taxes" to account for deferred taxation which has been applied retrospectively. The ratios for 2000, 2001 and 2002 above have been restated to reflect changes resulting from the implementation of this revised SSAP.

(3) EBITDA and FFO are adjusted for interest income in ratios calculating net interest coverage.

(4) In 2000, cash and liquid investments exceeded total interest bearing borrowings.

Earnings — Represents profit before taxation and fixed charges.

Fixed Charges — Consist of interest and other finance costs (including amounts capitalized) on all borrowings.

Net Interest — Fixed charges, net of interest income of Hutchison and its subsidiaries.

EBITDA — EBITDA is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation, depreciation and amortization and minority interests, excluding the non-cash portion of profit on disposal of investments and provisions as shown on the consolidated cash flow statement and in more detail in Note 29(a) to the consolidated financial statements. Hutchison's computation of EBITDA may differ from similarly titled computations of other companies.

FFO — FFO or funds from operations is defined as EBITDA after interest expense, other finance costs, taxation and certain other items as shown on the consolidated cash flow statement. Hutchison's computation of FFO may differ from similarly titled computations of other companies.

Net Debt — Net debt is defined as total interest bearing borrowings, net of bank balances and cash equivalents, long-term deposits, managed funds and listed debt and equity securities ("total cash, liquid funds and other listed investments") as shown on the consolidated cash flow statement.

Net Total Capital — Net total capital is defined as total borrowings plus share capital, reserves and minority interests, net of total cash, liquid funds and other listed investments.

Consolidated Balance Sheet:

	As of December 31,				Unaudited Six Months Ended June 30,		
	Restated[(1)] 2000	Restated[(1)] 2001	Restated[(1)] 2002	Restated[(1)] 2002	Restated[(1)] 2002	2003	2003
				(in millions)			
Net current assets							
Cash and cash equivalents	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,817
Other current assets	14,633	46,838	45,755	5,866	25,493	56,048	7,186
Current liabilities	44,959	46,883	83,429	10,696	49,045	102,970	13,201
Net current assets	HK$ 17,049	HK$ 47,329	HK$ 5,178	US$ 664	HK$ 22,773	HK$ 37,452	US$ 4,802
Non-current assets							
Fixed assets	88,383	107,099	148,713	19,066	127,394	167,747	21,506
Other non-current assets	87,684	86,003	95,069	12,188	84,102	97,873	12,548
Goodwill	—	333	7,838	1,005	816	7,809	1,001
Deferred tax assets	720	1,177	2,032	261	1,426	3,496	448
Associated companies	37,987	36,972	45,277	5,805	39,367	48,082	6,164
Interests in joint ventures	39,419	38,253	35,016	4,489	35,619	35,193	4,512
Liquid funds and other listed investments	127,446	71,204	75,597	9,692	81,209	64,317	8,246
Total non-current assets	HK$ 381,639	HK$ 341,041	HK$ 409,542	US$ 52,506	HK$ 369,933	HK$ 424,517	US$ 54,425
Total assets less current liabilities	HK$ 398,688	HK$ 388,370	HK$ 414,720	US$ 53,170	HK$ 392,706	HK$ 461,969	US$ 59,227
Non-current liabilities							
Long-term liabilities	HK$ 107,004	HK$ 129,018	HK$ 141,569	US$ 18,150	HK$ 138,695	HK$ 169,122	US$ 21,682
Deferred tax liabilities	6,372	8,255	8,680	1,113	8,624	8,942	1,146
Pension obligation	—	131	730	94	—	769	99
Total non-current liabilities	HK$ 113,376	HK$ 137,404	HK$ 150,979	US$ 19,357	HK$ 147,319	HK$ 178,833	US$ 22,927
Minority interests	HK$ 35,927	HK$ 36,812	HK$ 41,596	US$ 5,333	HK$ 38,826	HK$ 47,283	US$ 6,062
Net assets	HK$ 249,385	HK$ 214,154	HK$ 222,145	US$ 28,480	HK$ 206,561	HK$ 235,853	US$ 30,238
Capital and Reserves							
Share capital	HK$ 1,066	HK$ 1,066	HK$ 1,066	US$ 137	HK$ 1,066	HK$ 1,066	US$ 137
Reserves	248,319	213,088	221,079	28,343	205,495	234,787	30,101
Shareholders' funds	HK$ 249,385	HK$ 214,154	HK$ 222,145	US$ 28,480	HK$ 206,561	HK$ 235,853	US$ 30,238

(1) Certain balance sheet items and reserves in 2000, 2001 and 2002 have been restated to reflect Hutchison's adoption of the revised SSAP 12 "Income taxes" to account for deferred taxation which became effective on January 1, 2003 and applied retrospectively. As a result, the reserves as at December 31, 2000, 2001 and 2002 and June 30, 2002 have been reduced by HK$3,875 million, HK$3,923 million, HK$4,031 million and HK$3,920 million, respectively.

Condensed Consolidated Cash Flow Statement:

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	2000	2001	2002	2002	2002	2003	2003
				(in millions)			
Operating activities							
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	HK$ 48,607	HK$ 33,027	HK$ 33,273	US$ 4,266	HK$ 14,786	HK$ 18,122	US$ 2,323
Share of EBITDA of associated companies and jointly controlled entities	(8,817)	(11,173)	(12,306)	(1,578)	(5,167)	(7,567)	(970)
Dividends received from associated companies and jointly controlled entities	2,573	2,539	3,317	425	1,761	3,527	452
Distribution from property jointly controlled entities	4,463	825	3,653	468	1,759	1,243	159
Interest and other finance costs	(6,460)	(6,952)	(5,262)	(675)	(2,550)	(3,662)	(469)
Loss (profit) on disposal of subsidiary and associated companies, jointly controlled entities, unlisted investments and fixed assets	(1,742)	(484)	(612)	(78)	246	(1,708)	(219)
Taxation paid	(842)	(1,211)	(1,227)	(157)	(414)	(415)	(53)
Funds from operations	HK$ 37,782	HK$ 16,571	HK$ 20,836	US$ 2,671	HK$ 10,421	HK$ 9,540	US$ 1,223
Changes in working capital	(10,207)	(1,741)	3,967	509	(3,845)	(845)	(108)
Cash flows from operating activities	HK$ 27,575	HK$ 14,830	HK$ 24,803	US$ 3,180	HK$ 6,576	HK$ 8,695	US$ 1,115
Investing activities							
Purchase of 3G related fixed assets	(126)	(7,532)	(29,842)	(3,826)	(9,321)	(13,768)	(1,765)
Purchase of other fixed assets	(6,198)	(6,761)	(9,356)	(1,199)	(4,572)	(5,193)	(666)
Purchase of 3G licence	(80,039)	(1,684)	(180)	(23)	(25)	(25)	(3)
Proceeds on disposal of subsidiary companies	26,024	1,387	1,014	130	274	4,710	604
Other investing activities	(20,845)	(5,822)	(16,230)	(2,081)	(2,250)	(1,724)	(221)
Subtotal	HK$ (81,184)	HK$ (20,412)	HK$ (54,594)	US$ (6,999)	HK$ (15,894)	HK$ (16,000)	US$ (2,051)
Net transfer from (to) liquid funds and other listed investments	28,358	(4,740)	5,167	662	9,450	12,502	1,603
Cash flows from investing activities	HK$ (52,826)	HK$ (25,152)	HK$ (49,427)	US$ (6,337)	HK$ (6,444)	HK$ (3,498)	US$ (448)

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	2000	2001	2002	2002	2002	2003	2003
				(in millions)			
Financing activities							
Net cash flows from financing activities	HK$ 40,458	HK$ 19,743	HK$ 29,016	US$ 3,720	HK$ 5,009	HK$ 42,323	US$ 5,426
Dividends paid to minority shareholders	(1,213)	(2,047)	(1,539)	(197)	(989)	(797)	(102)
Dividends paid to shareholders	(6,632)	(7,375)	(7,375)	(946)	(5,201)	(5,201)	(667)
Cash flows from financing activities	HK$ 32,613	HK$ 10,321	HK$ 20,102	US$ 2,577	HK$ (1,181)	HK$ 36,325	US$ 4,657
Increase (decrease) in cash and cash equivalents	HK$ 7,362	HK$ (1)	HK$ (4,522)	US$ (580)	HK$ (1,049)	HK$ 41,522	US$ 5,324
Cash and cash equivalents at beginning of the year/period	40,013	47,375	47,374	6,074	47,374	42,852	5,494
Cash and cash equivalents at end of the year/period	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,818
Analysis of cash, liquid funds and other listed investments							
Cash and cash equivalents, as above	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,818
Managed funds, overseas	16,704	23,794	34,128	4,375	32,377	37,510	4,809
Held-to-maturity listed debt securities and long term deposits	6,885	7,519	17,553	2,250	15,291	26,460	3,392
Listed equity securities, Hong Kong	4,813	3,473	3,427	439	3,051	2,764	354
Listed equity securities, overseas	99,044	63,176	32,307	4,142	24,438	14,002	1,795
Liquid funds and other listed investments	HK$ 127,446	HK$ 97,962	HK$ 87,415	US$ 11,206	HK$ 75,157	HK$ 80,736	US$ 10,350
Total cash, liquid funds and other listed investments	HK$ 174,821	HK$ 145,336	HK$ 130,267	US$ 16,700	HK$ 121,482	HK$ 165,110	US$ 21,168
Bank and other interest bearing borrowings	124,526	146,992	180,496	23,141	155,982	226,593	29,050
Net debt (cash)	HK$ (50,295)	HK$ 1,656	HK$ 50,229	US$ 6,441	HK$ 34,500	HK$ 61,483	US$ 7,882

RISK FACTORS

Investors should consider, among other things, the factors set forth below, as well as other considerations with respect to investments in Hong Kong corporations not normally associated with investments in the securities of issuers in the US and other jurisdictions. This listing circular, including particularly the information set forth under the caption "Business of Hutchison" to the extent that it describes properties, projects, business ventures or strategies at an early stage of development or fulfillment, includes "forward-looking statements". Although Hutchison believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from Hutchison's forward-looking statements are set forth in this listing circular, but particularly include those set forth below. All forward-looking statements attributable to Hutchison or persons acting on its behalf are expressly qualified in their entirety by the investment considerations set forth below.

Reliance on Major Industries and Interest Rates

Hutchison's results are affected by trends in the industries in which it operates, including the ports and related services, telecommunications, Hong Kong and Mainland property, retailing, infrastructure and energy industries. While Hutchison believes that its diverse operations, geographical spread and extensive customer base reduces its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, Hutchison's results have been negatively impacted by declining property values in Hong Kong, lower oil and gas prices, a decline in the value of certain listed investments and lower interest rates. There can be no assurance that the combination of industry trends and interest rates Hutchison experiences in the future will not adversely affect its financial condition and results of operations.

In particular, income from Hutchison's finance and treasury operations is dependent upon the interest rate environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect Hutchison's financial conditions and results of operations.

Hutchison marked down its investment in Vodafone Group plc ("Vodafone") shares and Deutsche Telekom AG ("Deutsche Telekom") shares by a total of HK$3,105 million in 2002 based on the market value of those shares at December 31, 2002. Considering the volatility in the equity markets, the reduction in value was determined to be temporary at December 31, 2002 and was charged against the existing investment valuation reserve on Hutchison's balance sheet. In the six months ended June 30, 2003, prices of Vodafone and Deutsche Telekom shares increased and therefore the charge previously made against the investment valuation reserve was written back on Hutchison's balance sheet as of June 30, 2003. In addition, during the first six months of 2003, Hutchison disposed of certain of its Vodafone and Deutsche Telekom shares at a profit.

Strategic Partners

Hutchison conducts some of its businesses through non-wholly owned subsidiaries and associated companies in which it shares control (in whole or in part) with strategic partners. For example, Hutchison has formed strategic alliances with leading international telecommunications providers including NTT DoCoMo; diversified conglomerates including Investor AB; and with relevant port authorities and other strategic partners for its port operations. On November 7, 2003, Hutchison settled its litigation with KPN Mobile N.V. ("KPN") with respect to KPN's failure to pay £150 million (approximately HK$1,845 million) in response to a funding call made by Hutchison 3G UK Holdings Limited. See "Business — Legal Proceedings — Settlement of KPN Mobile N.V. Litigation". In addition, Hutchison is currently in arbitration with its joint venture partner CIRtel over whether a €373.2 million (HK$2,900 million) payment by CIRtel to H3G Italia constituted a shareholder loan or a capital contribution. To date, this dispute has not been resolved. See "Business — Legal Proceedings — CIRtel Arbitration". There can be no assurance that CIRTel or Hutchison's other strategic or business partners will wish to continue their relationships with Hutchison in the future or that Hutchison will be able to pursue its stated strategies with respect to its non-wholly owned subsidiaries and associated companies and the markets in which they operate. Furthermore, other investors in Hutchison's non-wholly owned subsidiaries and associated companies may undergo a change of control or financial difficulties which may affect that investor's strategy with respect to the enterprise. Any of these factors could adversely affect Hutchison's financial condition and results of operations.

Telecommunications

The telecommunications industry is highly competitive and has been subject to rapid and significant changes in technology and customer needs, evolving industry standards and frequent introductions of new products and services. The emerging nature of these products and services, their rapid evolution and increasingly shorter life cycles require Hutchison to continually improve its ability to respond to offerings by competitors. Hutchison faces competition from entities providing other telecommunications technologies and may face competition in the future from technologies being developed or to be developed.

3G Telecommunications in Europe and Asia

Hutchison has made substantial investments in acquiring 3G licenses and developing its 3G networks in Europe, Australia, Israel and Hong Kong. While Hutchison has made substantial progress in the construction of these networks, it expects to continue to incur significant build-out and operating expenses for the foreseeable future. Hutchison commenced operations of certain of its 3G businesses in the first six months of 2003 and, as a result, began to incur depreciation expense with respect to its 3G network and amortization expense with respect to the cost of its 3G licenses. In the future, these expenses could have a significant impact on Hutchison's results of operations. To the extent that 3G businesses commence operations in additional markets, Hutchison will incur additional depreciation and amortization expense.

While Hutchison believes that it has successfully anticipated many of the challenges associated with the design, build-out, operation and financing of its 3G networks, certain difficulties associated with the start-up of operations have materially affected these businesses. Hutchison is currently experiencing a shortage in the supply of 3G handsets which is limiting its ability to increase subscriber levels. As a result of these shortages, Hutchison has reconsidered the timing of the commercial launch of certain 3G operations, including in Hong Kong, until sufficient quantities of handsets are available. Hutchison's two principal suppliers of handsets have assured Hutchison that significant quantities will be delivered to the respective 3G operations in November 2003. However, there can be no assurance that Hutchison will not continue to experience significant shortages in handsets which could limit its ability to increase subscriber levels and could ultimately reduce demand for its 3G services. Hutchison is also addressing other challenges in its 3G markets such as developing successful pricing and tariff strategies in response to local demand, responding to technical problems, and other start-up issues. There can be no assurance that Hutchison will be successful in addressing these issues. In addition, Hutchison may experience competitive pressure from lower priced alternative technologies or 3G technology could be superceded by an advanced form of technology, thereby making the 3G technology obsolete or less profitable.

Hutchison's 3G operations will need to significantly increase subscriber levels and operating margins to become profitable. Hutchison may not be successful in increasing 3G subscriber levels and operating margins to levels needed to become profitable or to realize expected returns. If Hutchison is unable to significantly increase subscriber levels and operating margins, the cost of operating its 3G networks could have a material adverse effect on the cash flow and financial condition of these businesses and may increase the total investment and funding requirement for these businesses. Hutchison and/or its relevant subsidiaries may need to borrow money or issue shares to pay for the operation and further build-out of its networks as well as for possible future acquisition of 3G licenses. There can be no assurance that Hutchison and/or its relevant subsidiaries will be able to obtain such financing on favorable terms. The project financing facilities for Hutchison's 3G operations in the UK and Italy contain operating and financial covenants which are consistent with those generally found in project financing facilities. In March 2003, Hutchison's UK lenders agreed to amend certain covenants.

Difficulties associated with start-up operations that may be experienced by Hutchison's UK and Italian businesses may have an impact on their ability to comply with certain of these covenants. There can be no assurance that Hutchison's lenders will amend or waive any covenants in the future. In addition, due in part to the financing requirements of Hutchison's 3G strategy, in June 2003 S&P downgraded Hutchison's credit rating from an A to an A-. In addition, Fitch, S&P and Moody's maintain a "negative" outlook on Hutchison's credit rating. There can be no assurance that Hutchison will be able to maintain its current investment grade ratings as it commits further resources to the development, build-out and operation of its 3G networks.

Regulation

Hutchison is only permitted to provide telecommunications services and operate networks under licenses granted by competent authorities in each country. All of these licenses are issued for a limited period of time and may not be renewed, or, if they are renewed, their terms may be changed. These licenses contain a number of requirements regarding the way Hutchison must conduct its business, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licenses. Decisions by regulators regarding the granting, amendment or renewal of licenses, to Hutchison or other parties, and changes in legislation, regulation or government policy affecting Hutchison's business activities, as well as decisions by regulatory authorities or courts, could adversely affect Hutchison's financial condition and results of operations.

Hong Kong Operations

Turnover from Hutchison's mobile communications and fixed line services in Hong Kong constituted approximately 36% and 34% of Hutchison's telecommunications division's turnover in 2002 and for the six months ended June 30, 2003 respectively. The Hong Kong telecommunications industry is highly competitive. There have been frequent periods of extreme price competition among Hong Kong wireless communications providers, with mobile number portability enabling cellular subscribers in Hong Kong to retain their telephone numbers when they switch to different service providers. Hutchison also faces significant competition from existing and new fixed line service providers. Increasing liberalization of the international telecommunications market in Hong Kong may further attract new local and foreign entrants to the market, which may introduce new products and services, thereby increasing the level of competition in the industry. Increased competition could result in price reductions, reduced gross margins or loss of market share, any of which could impact Hutchison's profitability.

Property Interests

Hong Kong Rentals and Values

Hutchison has, and expects that it will continue to have, substantial property and hotel interests in Hong Kong. Historically, the Hong Kong property market has been cyclical, with Hong Kong property values affected by supply and demand of comparable properties, the amount of new land made available by the Hong Kong government to third parties, the rate of economic growth in Hong Kong and political and economic developments in the Mainland. The value of real estate in Hong Kong has declined since the late 1990s as the Hong Kong property market has been characterized by an overabundance of supply and the effects of a decline in general economic conditions. There can be no assurance that property markets will not fall further if the overall economic situation in Hong Kong, the Mainland or the rest of Asia deteriorates.

Hutchison is subject to the general risks inherent in property development and to the ownership and operation of office and related commercial properties, including, among other things, risks that financing for development may not be available on favorable terms, that construction may not be completed on schedule or within budget, that long-term financing may not be available on completion of construction, that developed properties may not be leased or sold on profitable terms and that purchasers may default. Hutchison is also subject to the general risks incidental to the ownership and operation of office and related commercial properties including, among other things, competition for tenants, changes in market rental levels, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, and the need to renovate, repair and re-let space periodically and to pay the associated costs. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. Additional supply of new office properties is scheduled for completion in Hong Kong over the next few years and such additional supply could also adversely affect office rents and occupancy rates. Since leases of Hong Kong properties are often for a short duration (typically two to six years, depending on the type of property) or contain provisions requiring periodic adjustments of rent within a short period of time (typically three years), Hutchison's income from property may be subject to more frequent adjustments than would be the case in other real estate markets.

Mainland Property Investments

Hutchison has investments in several joint venture companies formed to develop, own and/or operate property in the Mainland. Development projects in the Mainland are dependent on obtaining the approval of a variety of governmental authorities at different levels, receipt of which cannot be assured. These development projects have been and may in the future be subject to certain risks, including the cyclical nature of property markets, changes in governmental regulations and economic policies, including regulations and policies restricting construction of properties and buildings and related limitations on extensions of credit, building material shortages, increases in labor and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained or that the cost of Hutchison's developments will not exceed projected costs.

Infrastructure

CKI, in which Hutchison has a 84.6% interest, is engaged in the development, ownership, operation and management of infrastructure businesses in the Mainland and infrastructure materials businesses in Hong Kong and the Mainland. In addition to the normal political risks associated with investments in the Mainland, there are a number of construction, financing and other risks associated with infrastructure investments in the Mainland. While CKI does not currently anticipate that it will develop significant new infrastructure businesses in the Mainland, it may determine to do so in the future. There can be no assurance that risks associated with infrastructure businesses in the Mainland will not adversely affect Hutchison's financial condition and results of operations in the future. Infrastructure projects of the types undertaken by Hutchison typically require substantial capital expenditures during the construction phase and usually take many months, sometimes years, before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes, disputes with sub-contractors, accidents, changes in government priorities and unforeseen problems and circumstances. Any of these could give rise to delays in the completion of construction and/or to cost overruns. Delays in the process of obtaining the requisite licenses, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business. Construction delays can result in the loss of revenues. The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and less desirable returns.

The operations of The Hongkong Electric Company Limited ("Hongkong Electric"), a wholly owned subsidiary of Hongkong Electric Holdings, in which CKI holds a 38.9% interest, are subject to a scheme of control agreement with the Hong Kong government (the "Scheme of Control"). The original Scheme of Control expired in 1993 and was extended for another 15 years to December 31, 2008. The Scheme of Control requires an interim review every five years. Any amendments proposed as a result of the review must be agreed by both parties. The first interim review was carried out in 1998 and some minor amendments were agreed to by both parties, which have no material effect on the operations of Hongkong Electric. A second interim review was carried out during 2003. Although the results of such review have not yet been finalized, no major amendments are anticipated. Under the Scheme of Control, shareholders of Hongkong Electric are entitled to a net return of 15% on net fixed assets financed by shareholders' funds and a minimum net return of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings. The Scheme of Control is designed to ensure a balance of benefits for both consumers and Hongkong Electric's shareholders. There can be no assurance that changes to or abolition of the Scheme of Control in the future will not adversely affect Hutchison's financial condition and results of operations.

Retail and Manufacturing

Hutchison's retail and manufacturing division has experienced significant competition and price pressure from retail competitors in Asia, particularly since mid-1999, and from competitors in Europe since its expansion there in 2000. Hutchison believes that this was largely the result of willingness by certain competitors to incur losses to gain market share. The retail and manufacturing division believes that it can maintain competitiveness in Asia by capitalizing on Hutchison's Asian real estate holdings and by cross-marketing among its retail, telecommunication and e-commerce operations. The division also believes that it can maintain competitiveness in Europe by increasing the size of its operations and its operational efficiency. Hutchison expects that its competitors will continue to exert significant price pressure on its retail and manufacturing operations and there can be no assurance that this division will generate significant profits in the near future.

In October 2002, Hutchison completed the acquisition of the Kruidvat Group of the Netherlands for €1.3 billion (approximately HK$9,900 million) and, as a result, increased the size of its European operations. The process of coordinating and integrating the Kruidvat Group's 1,900 store portfolio in the UK, the Netherlands, Belgium, the Czech Republic, Poland and Hungary with Hutchison's other retail operations is likely to require significant management and financial resources. If the integration process disrupts the operations of either AS Watson or the Kruidvat Group, the financial results of Hutchison's retail and manufacturing division could be adversely affected.

Impact of National and International Regulations

As a global business, Hutchison is exposed to local business risks in several different countries which could have a material adverse effect on its financial condition or results of operations. Hutchison operates in many countries around the world, and one of its strategies is to expand outside its traditional market in Hong Kong. Hutchison is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the national or international level, such as those required by the European Union ("EU") or the World Trade Organization ("WTO"). These include:

- changes in tariffs and trade barriers;
- competition law requirements, such as restrictions on Hutchison's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;
- delays in the process of obtaining or maintaining licenses, permits and governmental approvals necessary to operate certain businesses, particularly certain of Hutchison's infrastructure businesses and certain of its joint ventures in the Mainland; and
- telecommunications regulations.

Hutchison's overall success as a global business depends, in part, upon its ability to succeed in differing economic, social and political conditions. There can be no assurance that Hutchison will continue to succeed in developing and implementing policies and strategies that are effective in each location where it does business.

Hong Kong and the Mainland

Hutchison is a Hong Kong corporation and a significant portion of its operations are conducted in Hong Kong. As a result, Hutchison's financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly the Mainland.

As of July 1, 1997, Hong Kong ceased to be a Crown Colony of the UK and became a Special Administrative Region of the PRC. Although the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of Hong Kong provide that Hong Kong will have a high degree of legislative, judicial and economic autonomy, there can be no assurance that Hutchison's financial condition and results of operations will not be adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland's trading relationships with other countries have from time to time adversely affected the Hong Kong economy and property market.

Hutchison currently has investments in many joint venture companies in the Mainland. Hutchison could decide to invest considerable capital resources to enter various markets in the Mainland, including the telecommunications industry. The value of Hutchison's investments in the Mainland may be adversely affected by significant political, social or legal uncertainties in the Mainland. The Chinese government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Chinese economy and could discourage foreign investment.

Controlling Shareholder

Approximately 49.97% of the issued share capital of Hutchison was held by certain subsidiaries of Cheung Kong Holdings as of November 18, 2003. Cheung Kong Holdings is also listed on the SEHK, and was the eighth largest company on such exchange in terms of market capitalization as of November 18, 2003 (with a market capitalization of approximately HK$136,653 million). In addition, as of November 18, 2003, (i) approximately 0.16% of the issued share capital of Hutchison was held by a company in which Mr. Li Ka-shing, the Chairman of Hutchison, is entitled to exercise or control the exercise of one third or more of the voting power at its general meetings and (ii) approximately 0.27% of the issued share capital of Hutchison was held by a unit trust and all the units of such trust are held by discretionary trusts, the issued share capital of the trustees of such unit trust and discretionary trusts being owned as to one third or more by a holding company, the issued share capital of which is in turn owned as to one third by each of Mr. Li Ka-shing, the Chairman of Hutchison, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard. Mr. Li Ka-shing is also the Chairman of Cheung Kong Holdings and each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard owns one third of the issued share capital of a holding company which in turn owns one third or more of the issued share capital of the trustees in a certain trust structure that controls companies that together hold approximately 37.04% of the issued capital of Cheung Kong Holdings as of November 18, 2003.

Although Hutchison believes that its relationship with Cheung Kong Holdings provides it with significant business advantages, the relationship results in various related party, or "connected", transactions. Cheung Kong Holdings is a connected person of Hutchison for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and accordingly any transactions entered into between Hutchison and/or subsidiaries of Hutchison and Cheung Kong Holdings, its subsidiaries or associates thereof are connected transactions which, unless one of the exemptions is available or relevant waivers applied for and granted, will be subject to the relevant requirements of Chapter 14 of the Listing Rules. These requirements include the issuance of press notices, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. See "Hutchison's Connected Transactions" for more details.

Holding Company Structure and Structural Subordination

The Issuer is a wholly owned subsidiary of Hutchison and its primary purpose is to act as a financing subsidiary of Hutchison. The Guarantee is solely an obligation of the Guarantor. The Guarantor is primarily a holding company and its ability to make payments to holders of the notes pursuant to the Guarantee in respect of the notes depends largely upon the receipt of dividends, distributions, interest or advances from its wholly or partially owned subsidiaries and associated companies. The ability of the subsidiaries and associated companies of the Guarantor to pay dividends may be subject to applicable laws. Payments on the notes are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer) and associated companies and these subsidiaries had an aggregate of HK$180,496 million of debt outstanding as of December 31, 2002 and HK$226,593 million as of June 30, 2003. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the notes seeking to enforce the Guarantee. The Fiscal Agency Agreement pursuant to which the notes will be issued does not contain any restrictions on the ability of the Issuer, Hutchison or its subsidiaries to incur additional indebtedness.

Differences between Hong Kong GAAP and US GAAP

The audited financial statements included in this listing circular are prepared and presented in accordance with Hong Kong GAAP. Significant differences exist between Hong Kong GAAP and US GAAP which might be material to the financial information contained herein. Hutchison has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Hutchison, the Issuer, the terms of the offering and the financial information. See "Summary of Principal Differences between Hong Kong GAAP and US GAAP" and Note 1 to the consolidated financial statements of Hutchison.

Severe Acute Respiratory Syndrome

In March 2003, the Mainland, Hong Kong, Singapore and certain other countries experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as "severe acute respiratory syndrome" or "SARS". In response to the severity of the SARS outbreak in Hong Kong, the World Health Organization issued a travel advisory on April 2, 2003, recommending that persons traveling to Hong Kong consider postponing all but essential travel until further notice. This advisory was lifted on May 23, 2003 and, to date, neither Hong Kong nor any other Asian country has experienced significant instances of SARS. While, to date, SARS appears to have been contained, there can be no assurance that it will not recur at any point in the future. A recurrence of SARS, or the perception that the SARS outbreak has not been contained, would likely have a significant adverse effect on the economics and financial markets of many countries in Asia and, in particular, on the trade, tourism, transportation, retail, entertainment and services sectors of those countries.

To the extent that any future SARS outbreak affects the economies of Hong Kong, the Mainland and the rest of Asia, Hutchison may experience adverse effects on the results of operations of certain of its businesses.

USE OF PROCEEDS

The net proceeds of the sale of the notes after commissions, expenses and other payments will be approximately US$4,963,000,000 and will be initially advanced by the Issuer to Hutchison. Hutchison intends to use the net proceeds of the offering to refinance certain indebtedness, including recourse or non-recourse indebtedness owed by subsidiaries of Hutchison, indebtedness falling due in the near term and indebtedness which would provide an economic benefit upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditures and investments in Hutchison's core business activities. In the event that Hutchison determines not to use certain of the proceeds for this purpose, such proceeds will be used for general corporate purposes, including the funding of capital expenditures.

EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the US dollar). Since October 17, 1983, the Hong Kong dollar has been officially linked to the US dollar at the rate of HK$7.80 to US$1.00. The link is supported by an agreement between Hong Kong's three banknote-issuing banks and the Hong Kong government pursuant to which banknotes issued by such banks are backed by certificates of indebtedness purchased by such banks from the Hong Kong Government Exchange Fund with US dollars at the fixed exchange rate of HK$7.80 to US$1.00 and held as cover for the banknotes issued. When banknotes are withdrawn from circulation, the issuing bank surrenders certificates of indebtedness to the Hong Kong Government Exchange Fund and is paid the equivalent amount in US dollars at the fixed rate of exchange. The agreement does not have a fixed term, and the Hong Kong government has not announced any plans to change the link. Hong Kong's three banknote-issuing banks are The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited.

The market exchange rate of the Hong Kong dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market, although the Hong Kong government, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. The market exchange rate has not deviated significantly from the rate of HK$7.80 to US$1.00. Exchange rates between the Hong Kong dollar and other currencies are influenced by the exchange rate between the US dollar and such currencies. On November 18, 2003, the Noon Buying Rate was HK$7.76 = US$1.00. This listing circular also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB"), Cayman Islands dollar ("C.I.$") and certain other currency amounts. The following table sets forth the average, high, low and period-end Noon Buying Rate between Hong Kong dollars and US dollars (in Hong Kong dollars per US dollar) for the periods indicated.

	Hong Kong Dollars/US Dollars Noon Buying Rate			
Year Ended December 31,	**Average[(1)]**	**High**	**Low**	**Period End**
1998	HK$ 7.75	HK$ 7.76	HK$ 7.74	HK$ 7.75
1999	7.76	7.78	7.75	7.77
2000	7.79	7.80	7.78	7.80
2001	7.80	7.80	7.80	7.80
2002	7.80	7.81	7.80	7.80
2003 (through November 18, 2003)	7.80	7.80	7.71	7.76

(1) The average of the Noon Buying Rates on the last day of each month (or a portion thereof) during the period.

Source: Federal Reserve Bank of New York.

THE ISSUER

The Issuer, a wholly owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on September 17, 2003. Its registered office is located at the offices of M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, registration number CR129111. The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly owned subsidiary of the Guarantor as long as the notes are outstanding and will advance the net proceeds of the notes to Hutchison and/or its subsidiaries. The Issuer has no material assets.

The directors of the Issuer are as follows:

Name	Position
CHOW WOO M.F., Susan	Director
Frank J. SIXT	Director
Neil D. MCGEE	Director
CHAN Waichi, Richard	Director
HO Wai Leung, Edmond	Director

The business address of the directors of the Issuer for the purposes of their directorships of the Issuer is Hutchison Whampoa International (03/33) Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Further information on the particulars and experience of the directors of Hutchison is set forth below in "Management of Hutchison".

The objects for which the Issuer is established are unrestricted and, as set forth in clause 3 of the Issuer's Memorandum of Association (copies of which are available as described under "General Information"), the Issuer has full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

The authorized share capital of the Issuer is US$50,000, divided into 50,000 shares of US$1.00 par value each, of which one ordinary share is issued and outstanding. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this listing circular, the Issuer does not have any debt outstanding other than the notes issued on November 24, 2003 in the aggregate amount of US$5,000 million.

The Issuer has no subsidiaries. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under the laws of the Cayman Islands. The Issuer's non-audited financial statements are not published and are prepared only for internal purposes. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions. If the Issuer publishes any of its accounts, such published accounts of the Issuer will, in the event that, and for as long as, the notes are listed on the Luxembourg Stock Exchange, be made available free of charge at the offices of the Paying Agent in Luxembourg.

CAPITALIZATION OF HUTCHISON

The following table sets forth the consolidated capitalization of Hutchison as of October 24, 2003 (except where otherwise indicated in the footnote below) and as adjusted to give effect to the issuance of the notes. See "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison — Liquidity and Capital Resources". The table has been prepared on a basis consistent with the principal accounting policies of Hutchison as set out in the consolidated financial statements of Hutchison that appear elsewhere herein and should be read in conjunction with such consolidated financial statements.

	Unaudited As of October 24, 2003		
	Actual	As Adjusted	As Adjusted
		(in millions)	
Short-term debt (including current portion of long-term debt)	HK$ 31,837	HK$ 31,837	US$ 4,082
Long-term debt (net of current portion)	HK$ 189,686	HK$ 189,686	US$ 24,319
Notes offered hereby	—	39,000	5,000
Total shareholders' funds[(1)]	235,853	235,853	30,237
Total capitalization	HK$ 425,539	HK$ 464,539	US$ 59,556
Total short-term debt and capitalization	HK$ 457,376	HK$ 496,376	US$ 63,638

(1) Total shareholders' funds comprises ordinary shares, share premium, capital redemption reserves, investment revaluation reserves, exchange translation reserves and retained earnings as of June 30, 2003. The retained earnings are before deducting the interim dividend declared of HK$2,174 million paid on October 10, 2003. In addition, total shareholders' funds include properties revaluation reserves as of December 31, 2002. In accordance with Hong Kong Statement of Standard of Accounting Practice 13 "Accounting for Investment Properties", Hutchison's investment properties are included in fixed assets at their open market value based on existing use as determined by an annual professional valuation at each year end. Changes in the value of the investment properties are dealt with as movements in the properties revaluation reserve and therefore affect the amount of shareholders' funds and total capitalization. No valuation of Hutchison's investment properties has been completed since December 31, 2002 and therefore the effect on total capitalization cannot be quantified.

As of October 24, 2003, the authorized share capital of Hutchison was HK$1,777,717,856, divided into 5,500,000,000 ordinary shares of HK$0.25 each and 402,717,856 7½% cumulative redeemable participating preference shares of HK$1.00 each, of which 4,263,370,780 ordinary shares have been issued and fully paid.

Total capitalization includes the 2003 issuances by Hutchison Whampoa International (03/13) Limited, a wholly owned indirect subsidiary of Hutchison, of US$1,500 million in guaranteed 6½% notes due 2013 in February (the "February Notes"), US$1,000 million in guaranteed 6½% notes due 2013 in April (the "April Notes") and US$1,000 million in guaranteed 6½% notes due 2013 in May (the "May Notes") and the issuance by Hutchison Whampoa Finance (03/13) Limited, a wholly owned indirect subsidiary of Hutchison, of €1,000 million in guaranteed 5.875% notes due 2013 in July (the "July Notes"), constituting an aggregate principal amount of US$4,653 million (HK$36,294 million), which have temporarily increased the amount of Hutchison's debt and total capitalization. The net cash received from these four issues has been used to repay US$3,000 million in outstanding principal amount of exchangeable notes due in September 2003. The balance of these funds will be used to repay a portion of the US$2,656 million outstanding principal amount of exchangeable notes due in 2004 which are included in existing short-term debt.

Except for adjustments included in the table above and subject to Note (1) above, there has been no material change in the consolidated indebtedness of Hutchison since October 24, 2003 or any material change in the capitalization of Hutchison since October 24, 2003.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF HUTCHISON

The following tables present summary consolidated financial information of Hutchison. This information should be read in conjunction with the consolidated financial statements of Hutchison and the notes thereto, the "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison" and other historical financial information that appear elsewhere herein. In 2003, Hutchison was required to adopt the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants which became effective on January 1, 2003 and to apply this revised SSAP retrospectively to the financial statements of previous years. The unaudited interim financial statements included elsewhere in this listing circular for the six months ended June 30, 2003 were prepared under the revised SSAP 12 and the comparative financial statements for the six months ended June 30, 2002 were restated accordingly. The summary consolidated financial information for the six months ended June 30, 2002 and 2003, is derived from Hutchison's unaudited interim consolidated financial statements for such periods included elsewhere in this listing circular. Except for the adoption of SSAP 12, such interim financial information has been prepared on a basis consistent with the audited financial statements included in this listing circular. Such interim financial information is derived from Hutchison's accounting books and records for such periods, which have not been audited but reflect all adjustments (consisting of normal recurring items) which Hutchison's management considers necessary for the fair presentation of Hutchison's financial position and results of operations. For consistency and comparison purposes, the consolidated financial information for the years ended December 31, 2000, 2001 and 2002 included below has been restated to apply retrospectively the revised SSAP 12. The consolidated financial statements for the years ended December 31, 2000, 2001 and 2002, previously published in the respective annual reports and included elsewhere in this listing circular have been audited by PricewaterhouseCoopers, certified public accountants, whose report on the consolidated financial statements for the years ended December 31, 2000, 2001 and 2002 is included elsewhere in this listing circular. In addition, the consolidated financial information for the years ended December 31, 2000, 2001 and 2002, included below has been derived from Hutchison's revised consolidated financial statements, revised to apply SSAP 12 and audited by PricewaterhouseCoopers, certified public accountants. Hutchison's revised consolidated financial statements are not included elsewhere in this listing circular.

Hutchison's consolidated financial statements are prepared and presented in accordance with Hong Kong GAAP, which vary in certain material respects from US GAAP. For a description of certain of the differences between Hong Kong GAAP and US GAAP with respect to Hutchison's consolidated financial statements, see "Summary of Principal Differences between Hong Kong GAAP and US GAAP".

In 2002, Hutchison adopted new or revised SSAPs effective for accounting periods commencing on January 1, 2002. These included the new SSAP 33 "Discontinued Operations" and SSAP 34 "Employee Benefits" and the revised SSAP 15 "Cash Flow Statements". The adoption of these new or revised SSAPs had no material effects on Hutchison's results.

Financial statements of the Issuer have not been presented since the Issuer's primary business relates to the financing of Hutchison's operations.

The translations of HK dollar amounts into US dollars were made at the rate of HK$7.80 = US$1.00.

Consolidated Profit and Loss:

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	Restated[(1)] 2000	Restated[(1)] 2001	Restated[(1)] 2002	Restated[(1)] 2002	Restated[(1)] 2002	2003	2003
	(in millions, except per share information)						
Turnover							
Company and subsidiary companies	HK$ 57,022	HK$ 61,460	HK$ 75,235	US$ 9,646	HK$ 33,319	HK$ 47,404	US$ 6,077
Share of associated companies and jointly controlled entities	27,803	27,578	35,894	4,601	13,274	18,475	2,369
Total turnover	HK$ 84,825	HK$ 89,038	HK$ 111,129	US$ 14,247	HK$ 46,593	HK$ 65,879	US$ 8,446
Company and subsidiary companies turnover	HK$ 57,022	HK$ 61,460	HK$ 75,235	US$ 9,646	HK$ 33,319	HK$ 47,404	US$ 6,077
Operating expenses	44,045	47,461	61,044	7,826	27,339	43,213	5,539
Profit on disposal of investments and provision	26,037	3,586	3,395	435	2,139	1,922	246
Operating profit	HK$ 39,014	HK$ 17,585	HK$ 17,586	US$ 2,255	HK$ 8,119	HK$ 6,113	US$ 784
Share of profits less losses of associated companies	4,460	5,644	6,337	812	2,556	4,238	543
Share of profits less losses of jointly controlled entities	1,680	1,477	1,872	240	601	960	123
Earnings before interest, finance costs and taxation ("EBIT")[(2)]	45,154	24,706	25,795	3,307	11,276	11,311	1,450
Finance cost of company and subsidiaries	6,460	6,952	5,262	674	2,550	3,662	470
Share of finance cost of associated companies and jointly controlled entities	1,454	1,815	1,831	235	848	900	115
Profit before taxation	HK$ 37,240	HK$ 15,939	HK$ 18,702	US$ 2,398	HK$ 7,878	HK$ 6,749	US$ 865
Current taxation charge	1,302	1,577	2,015	258	871	1,236	158
Deferred taxation charge (credit)	335	530	318	41	94	(428)	(55)
Profit after taxation	HK$ 35,603	HK$ 13,832	HK$ 16,369	US$ 2,099	HK$ 6,913	HK$ 5,941	US$ 762
Minority interests	1,403	1,860	2,007	257	967	(126)	(16)
Profit attributable to the shareholders	HK$ 34,200	HK$ 11,972	HK$ 14,362	US$ 1,842	HK$ 5,946	HK$ 6,067	US$ 778
Dividends	HK$ 7,375	HK$ 7,375	HK$ 7,375	US$ 946	HK$ 2,174	HK$ 2,174	US$ 279
Earnings per share[(3)]	HK$ 8.02	HK$ 2.81	HK$ 3.37	US$ 0.43	HK$ 1.39	HK$ 1.42	US$ 0.18
Dividends per share	1.73	1.73	1.73	0.22	0.51	0.51	0.07

(1) The profit attributable to the shareholders for the year ended December 31, 2000, 2001 and 2002 have been restated to reflect Hutchison's adoption of the revised SSAP 12 "Income taxes" to account for deferred taxation which became effective on January 1, 2003 and applied retrospectively. As a result, the profit attributable to shareholders for the year ended December 31, 2000, 2001 and 2002 and six months ended June 30, 2002 have been increased by HK$131 million, reduced by HK$8 million, increased by HK$74 million and reduced by HK$5 million, respectively.

(2) EBIT is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation and minority interests. Hutchison's computation of EBIT may differ from similarly titled computations of other companies.

(3) Earnings per share is calculated based on profit attributable to shareholders divided by the weighted average number of shares in issue during the reporting period.

(4) Certain comparative figures have been reclassified to conform with the latest period's presentation.

Ratios:

	Year Ended December 31[1][2],			Six Months Ended June 30,	
	As Restated 2000	As Restated 2001	As Restated 2002	2002	2003
Return on Average Shareholders' Funds (%)	13.8	5.2	6.6	2.8	2.6
Current Ratio	1.4	2.0	1.1	1.5	1.4
Earnings to Fixed Charges	6.0	3.1	3.9	3.6	2.4
EBITDA to Fixed Charges	6.5	4.3	5.2	4.8	3.8
EBITDA to Net Interest[3]	28.0	11.1	13.6	10.9	6.2
FFO to Net Interest[3]	20.9	4.5	7.8	7.2	2.8
Net Debt/EBITDA[4]	N/A	0.1	1.5	2.3	3.4
FFO/Net Debt (%)[4]	N/A	1,000.7	41.5	30.2	15.5
Net Debt/Net Total Capital (%)[4]	N/A	0.7	16.1	12.4	18.1
Net Assets per share — Book Value (HK$)	58.5	50.2	52.1	48.4	55.3

(1) In 2002, Hutchison adopted the new or revised SSAPs issued by the Hong Kong Society of Accountants effective for accounting periods commencing on January 1, 2002, including the revised SSAP 15 on cash flow statements. The ratios for 2000 and 2001 above have been restated to reflect changes resulting from the implementation of these SSAPs.

(2) In 2003, Hutchison has adopted the revised SSAP 12 "Income taxes" to account for deferred taxation which has been applied retrospectively. The ratios for 2000, 2001 and 2002 above have been restated to reflect changes resulting from the implementation of this revised SSAP.

(3) EBITDA and FFO are adjusted for interest income in ratios calculating net interest coverage.

(4) In 2000, cash and liquid investments exceeded total interest bearing borrowings.

Earnings	—	Represents profit before taxation and fixed charges.
Fixed Charges	—	Consist of interest and other finance costs (including amounts capitalized) on all borrowings.
Net Interest	—	Fixed charges, net of interest income of Hutchison and its subsidiaries.
EBITDA	—	EBITDA is defined as earnings, including profit on disposal of investments and provisions, before interest expense, other finance costs, taxation, depreciation and amortization and minority interests, excluding the non-cash portion of profit on disposal of investments and provisions as shown on the consolidated cash flow statement and in more detail in Note 29(a) to the consolidated financial statements. Hutchison's computation of EBITDA may differ from similarly titled computations of other companies.
FFO	—	FFO or funds from operations is defined as EBITDA after interest expense, other finance costs, taxation and certain other items as shown on the consolidated cash flow statement. Hutchison's computation of FFO may differ from similarly titled computations of other companies.
Net Debt	—	Net debt is defined as total interest bearing borrowings, net of bank balances and cash equivalents, long-term deposits, managed funds and listed debt and equity securities ("total cash, liquid funds and other listed investments") as shown on the consolidated cash flow statement.
Net Total Capital	—	Net total capital is defined as total borrowings plus share capital, reserves and minority interests, net of total cash, liquid funds and other listed investments.

Consolidated Balance Sheet:

	As of December 31,				Unaudited As of June 30,		
	Restated[1] 2000	Restated[1] 2001	Restated[1] 2002	Restated[1] 2002	Restated[1] 2002	2003	2003
				(in millions)			
Net current assets							
Cash and cash equivalents	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,817
Other current assets	14,633	46,838	45,755	5,866	25,493	56,048	7,186
Current liabilities	44,959	46,883	83,429	10,696	49,045	102,970	13,201
Net current assets	HK$ 17,049	HK$ 47,329	HK$ 5,178	US$ 664	HK$ 22,773	HK$ 37,452	US$ 4,802
Non-current assets							
Fixed assets	HK$ 88,383	HK$ 107,099	HK$ 148,713	US$ 19,066	HK$ 127,394	HK$ 167,747	US$ 21,506
Other non-current assets	87,684	86,003	95,069	12,188	84,102	97,873	12,548
Goodwill	—	333	7,838	1,005	816	7,809	1,001
Deferred tax assets	720	1,177	2,032	261	1,426	3,496	448
Associated companies	37,987	36,972	45,277	5,805	39,367	48,082	6,164
Interests in joint ventures	39,419	38,253	35,016	4,489	35,619	35,193	4,512
Liquid funds and other listed investments	127,446	71,204	75,597	9,692	81,209	64,317	8,246
Total non-current assets	HK$ 381,639	HK$ 341,041	HK$ 409,542	US$ 52,506	HK$ 369,933	HK$ 424,517	US$ 54,425
Total assets less current liabilities	HK$ 398,688	HK$ 388,370	HK$ 414,720	US$ 53,170	HK$ 392,706	HK$ 461,969	US$ 59,227
Non-current liabilities							
Long-term liabilities	HK$ 107,004	HK$ 129,018	HK$ 141,569	US$ 18,150	HK$ 138,695	HK$ 169,122	US$ 21,682
Deferred tax liabilities	6,372	8,255	8,680	1,113	8,624	8,942	1,146
Pension obligation	—	131	730	94	—	769	99
Total non-current liabilities	HK$ 113,376	HK$ 137,404	HK$ 150,979	US$ 19,357	HK$ 147,319	HK$ 178,833	US$ 22,927
Minority interests	HK$ 35,927	HK$ 36,812	HK$ 41,596	US$ 5,333	HK$ 38,826	HK$ 47,283	US$ 6,062
Net assets	HK$ 249,385	HK$ 214,154	HK$ 222,145	US$ 28,480	HK$ 206,561	HK$ 235,853	US$ 30,238
Capital and Reserves							
Share capital	HK$ 1,066	HK$ 1,066	HK$ 1,066	US$ 137	HK$ 1,066	HK$ 1,066	US$ 137
Reserves	248,319	213,088	221,079	28,343	205,495	234,787	30,101
Shareholders' funds	HK$ 249,385	HK$ 214,154	HK$ 222,145	US$ 28,480	HK$ 206,561	HK$ 235,853	US$ 30,238

(1) Certain balance sheet items and reserves in 2000, 2001 and 2002 have been restated to reflect Hutchison's adoption of the revised SSAP 12 "Income taxes" to account for deferred taxation which became effective on January 1, 2003 and applied retrospectively. As a result, the reserves as at December 31, 2000, 2001 and 2002 and June 30, 2002 have been reduced by HK$3,875 million, HK$3,923 million, HK$4,031 million and HK$3,920 million, respectively.

Condensed Consolidated Cash Flow Statement:

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	2000	2001	2002	2002	2002	2003	2003
				(in millions)			
Operating activities							
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	HK$ 48,607	HK$ 33,027	HK$ 33,273	US$ 4,266	HK$ 14,786	HK$ 18,122	US$ 2,323
Share of EBITDA of associated companies and jointly controlled entities	(8,817)	(11,173)	(12,306)	(1,578)	(5,167)	(7,567)	(970)
Dividends received from associated companies and jointly controlled entities	2,573	2,539	3,317	425	1,761	3,527	452
Distribution from property jointly controlled entities	4,463	825	3,653	468	1,759	1,243	159
Interest and other finance costs	(6,460)	(6,952)	(5,262)	(675)	(2,550)	(3,662)	(469)
Loss (profit) on disposal of subsidiary and associated companies, jointly controlled entities, unlisted investments and fixed assets	(1,742)	(484)	(612)	(79)	246	(1,708)	(219)
Taxation paid	(842)	(1,211)	(1,227)	(156)	(414)	(415)	(53)
Funds from operations	HK$ 37,782	HK$ 16,571	HK$ 20,836	US$ 2,671	HK$ 10,421	HK$ 9,540	US$ 1,223
Changes in working capital	(10,207)	(1,741)	3,967	509	(3,845)	(845)	(108)
Cash flows from operating activities	HK$ 27,575	HK$ 14,830	HK$ 24,803	US$ 3,180	HK$ 6,576	HK$ 8,695	US$ 1,115
Investing activities							
Purchase of 3G related fixed assets	HK$ (126)	HK$ (7,532)	HK$ (29,842)	US$ (3,826)	HK$ (9,321)	HK$ (13,768)	US$ (1,765)
Purchase of other fixed assets	(6,198)	(6,761)	(9,356)	(1,199)	(4,572)	(5,193)	(666)
Purchase of 3G licence	(80,039)	(1,684)	(180)	(23)	(25)	(25)	(3)
Proceeds on disposal of subsidiary companies	26,024	1,387	1,014	130	274	4,710	604
Other investing activities	(20,845)	(5,822)	(16,230)	(2,081)	(2,250)	(1,724)	(221)
Subtotal	HK$ (81,184)	HK$ (20,412)	HK$ (54,594)	US$ (6,999)	HK$ (15,894)	HK$ (16,000)	US$ (2,051)
Net transfer from (to) liquid funds and other listed investments	28,358	(4,740)	5,167	662	9,450	12,502	1,603
Cash flows from investing activities	HK$ (52,826)	HK$ (25,152)	HK$ (49,427)	US$ (6,337)	HK$ (6,444)	HK$ (3,498)	US$ (448)
Financing activities							
Net cash flows from financing activities	HK$ 40,458	HK$ 19,743	HK$ 29,016	US$ 3,720	HK$ 5,009	HK$ 42,323	US$ 5,426
Dividends paid to minority shareholders	(1,213)	(2,047)	(1,539)	(197)	(989)	(797)	(102)
Dividends paid to shareholders	(6,632)	(7,375)	(7,375)	(946)	(5,201)	(5,201)	(667)
Cash flows from financing activities	HK$ 32,613	HK$ 10,321	HK$ 20,102	US$ 2,577	HK$ (1,181)	HK$ 36,325	US$ 4,657
Increase (decrease) in cash and cash equivalents	HK$ 7,362	HK$ (1)	HK$ (4,522)	US$ (580)	HK$ (1,049)	HK$ 41,522	US$ 5,324
Cash and cash equivalents at beginning of the year/period	40,013	47,375	47,374	6,074	47,374	42,852	5,494
Cash and cash equivalents at end of the year/period	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,818

	Year Ended December 31,				Unaudited Six Months Ended June 30,		
	2000	**2001**	**2002**	**2002**	**2002**	**2003**	**2003**
				(in millions)			
Analysis of cash, liquid funds and other listed investments							
Cash and cash equivalents, as above	HK$ 47,375	HK$ 47,374	HK$ 42,852	US$ 5,494	HK$ 46,325	HK$ 84,374	US$ 10,818
Managed funds, overseas	HK$ 16,704	HK$ 23,794	HK$ 34,128	US$ 4,375	HK$ 32,377	HK$ 37,510	US$ 4,809
Held-to-maturity listed debt securities and long term deposits	6,885	7,519	17,553	2,250	15,291	26,460	3,392
Listed equity securities, Hong Kong	4,813	3,473	3,427	439	3,051	2,764	354
Listed equity securities, overseas	99,044	63,176	32,307	4,142	24,438	14,002	1,795
Liquid funds and other listed investments	HK$ 127,446	HK$ 97,962	HK$ 87,415	US$ 11,206	HK$ 75,157	HK$ 80,736	US$ 10,350
Total cash, liquid funds and other listed investments	HK$ 174,821	HK$ 145,336	HK$ 130,267	HK$ 16,700	HK$ 121,482	HK$ 165,110	US$ 21,168
Bank and other interest bearing borrowings	124,526	146,992	180,496	23,141	155,982	226,593	29,050
Net debt (cash)	HK$ (50,295)	HK$ 1,656	HK$ 50,229	US$ 6,441	HK$ 34,500	HK$ 61,483	US$ 7,882

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF HUTCHISON

The following discussion should be read in conjunction with the consolidated financial statements of Hutchison included elsewhere in this listing circular.

Overview

Hutchison is a holding company and engages in its various activities through subsidiaries, associated companies and joint ventures. It operates five core divisions in 39 countries: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy, infrastructure and finance and investments. While a substantial majority of Hutchison's profits are generated by subsidiaries, associated companies (including Hongkong Electric Holdings, in which Hutchison held a 38.9% interest through CKI as of June 30, 2003, and Husky Energy, in which Hutchison held a 35.0% interest as of June 30, 2003) also make a significant contribution to Hutchison's results of operations.

Trends

Turnover

The following table shows Hutchison's turnover by business division for the years indicated.

	Year Ended December 31,						Unaudited Six Months Ended June 30,			
	2000		2001		2002		2002		2003	
	(in millions, except %)									
Ports and related services	HK$ 14,226	16.8%	HK$ 15,505	17.4%	HK$ 20,572	18.5%	HK$ 9,375	20.1%	HK$ 10,933	16.6%
Telecommunications-2G and others	10,057	11.9	11,468	12.9	13,367	12.0	6,398	13.7	7,055	10.7
Telecommunications-3G	—	—	—	—	—	—	—	—	245	0.4
Property and hotels	7,273	8.6	5,516	6.2	11,709	10.5	2,377	5.1	3,303	5.0
Retail and manufacturing	27,248	32.1	29,543	33.2	39,471	35.5	16,364	35.1	29,352	44.6
Cheung Kong Infrastructure	8,897	10.5	10,079	11.3	10,626	9.6	4,935	10.6	5,422	8.2
Husky Energy	11,442	13.5	11,801	13.3	11,198	10.1	5,304	11.4	7,610	11.5
Finance and investments	5,682	6.6	5,126	5.7	4,186	3.8	1,840	4.0	1,959	3.0
Total	HK$ 84,825	100.0%	HK$ 89,038	100.0%	HK$ 111,129	100.0%	HK$ 46,593	100.0%	HK$ 65,879	100.0%

Hutchison's turnover increased from HK$84,825 million in 2000 to HK$89,038 million in 2001 and HK$111,129 million (US$14,247 million) in 2002, and from HK$46,593 million in the six months ended June 30, 2002 to HK$65,879 million (US$8,446 million) in the six months ended June 30, 2003.

- Turnover from the ports and related services division increased from HK$14,226 million in 2000 to HK$15,505 million in 2001 and HK$20,572 million (US$2,637 million) in 2002 and from HK$9,375 million in the six months ended June 30, 2002 to HK$10,933 million (US$1,402 million) in the six months ended June 30, 2003 mainly due to throughput growth and additional contributions from 13 container terminals acquired in the latter part of 2001 and early 2002 and increased throughput growth mainly in Hong Kong and the Mainland port operations in the six months ended June 30, 2003.

- Turnover from the telecommunications-2G and others division increased from HK$10,057 million in 2000 to HK$11,468 million in 2001 and HK$13,367 million (US$1,714 million) in 2002 and from HK$6,398 million in the six months ended June 30, 2002 to HK$7,055 million (US$904 million) in the six months ended June 30, 2003, mainly due to subscriber growth, principally in Israel and India, partially offset by the effect of no dividends having been received from Deutsche Telekom in the first six months ended June 30, 2003. Hutchison's turnover in the first six months of 2002 included HK$758 million (US$97 million) in dividends received from Deutsche Telekom.

- Turnover from the telecommunications-3G division was HK$245 million (US$31 million) in the six months ended June 30, 2003 resulting from the commencement of 3G services in the UK, Italy and Australia in the first half of 2003.

- Turnover from the property and hotels division declined from HK$7,273 million in 2000 to HK$5,516 million in 2001 principally due to reduced property development activity in 2001, but increased to HK$11,709 million (US$1,501 million) in 2002 and from HK$2,377 million in the six months ended June 30, 2002 to HK$3,303 million (US$423 million) in the six months ended June 30, 2003 due to the completion and sale of more development projects in 2002 and in the six months ended June 30, 2003.

- The retail and manufacturing division is the largest single contributor to turnover accounting for 32.1% of the total in 2000, 33.2% of the total in 2001, 35.5% of the total in 2002, 35.1% in the six months ended June 30, 2002 and 44.6% in the six months ended June 30, 2003. Turnover from the retail and manufacturing division increased from HK$27,248 million in 2000 to HK$29,543 million in 2001 and HK$39,471 million (US$5,060 million) in 2002 and from HK$16,364 million in the six months ended June 30, 2002 to HK$29,352 million (US$3,763 million) in the six months ended June 30, 2003, principally due to turnover contributed by the Kruidvat Group acquired in October 2002, increased sales of PARKnSHOP in 2002 and increased in turnover from the health and beauty operations in Asia and the UK in the six months ended June 30, 2003.

- Turnover from CKI increased from HK$8,897 million in 2000 to HK$10,079 million in 2001 and HK$10,626 million (US$1,362 million) in 2002 and from HK$4,935 million in the six months ended June 30, 2002 to HK$5,422 million (US$695 million) in the six months ended June 30, 2003, mainly due to increased contributions from Hongkong Electric Holdings, energy investments in Australia, which are jointly held by CKI and a subsidiary of Hongkong Electric Holdings, and the Zhuhai Power Plant in the Mainland.

- Turnover from Husky Energy increased from HK$11,442 million in 2000 to HK$11,801 million in 2001, primarily due to the merger of Husky Oil Limited with Renaissance Energy Ltd., which was completed in August 2000, but declined to HK$11,198 million (US$1,436 million) in 2002, primarily due to a reduction in Hutchison's equity interest in Husky Energy from 49.0% to 35.1% and lower average North American natural gas prices, partially offset by higher crude oil prices and production in 2002. Turnover increased from HK$5,304 million in the six months ended June 30, 2002 to HK$7,610 million (US$976 million) in the six months ended June 30, 2003 mainly due to higher production and commodity prices.

- Turnover from finance and investments, which is derived mainly from interest income and dividends from equity investments, declined from HK$5,682 million 2000 to HK$5,126 million in 2001 and HK$4,186 million (US$537 million) in 2002. The decrease in turnover in 2001 was due to lower average balances of cash and managed funds and lower interest rates. The decrease in turnover in 2002 was mainly due to lower interest rates. Turnover increased from HK$1,840 million in the six months ended June 30, 2002 to HK$1,959 million (US$251 million) in the six months ended June 30, 2003 due to higher cash and managed funds balances, partially offset by lower interest rates.

EBIT

The following table shows Hutchison's EBIT by business division for the years indicated.

	Year Ended December 31,						Unaudited Six Months Ended June 30,			
	2000		2001		2002		2002		2003	
	(in millions, except %)									
Ports and related services	HK$ 5,255	11.6%	HK$ 5,669	23.0%	HK$ 6,626	25.7%	HK$ 3,080	27.3%	HK$ 3,519	31.1%
Telecommunications-2G and others	493	1.1	930	3.8	969	3.7	794	7.1	182	1.6
Telecommunications-3G	(312)	(0.7)	(682)	(2.8)	(2,070)	(8.0)	(729)	(6.5)	(3,895)	(34.4)
Property and hotels	1,536	3.4	1,717	6.9	2,570	10.0	981	8.7	1,061	9.4
Retail and manufacturing	665	1.5	529	2.1	1,031	4.0	308	2.7	599	5.3
Cheung Kong Infrastructure	3,972	8.8	4,589	18.6	4,990	19.3	2,171	19.3	2,520	22.3
Husky Energy	2,047	4.5	1,899	7.7	2,084	8.1	938	8.3	2,051	18.1
Finance and investments	5,461	12.1	6,469	26.2	6,200	24.0	1,594	14.1	3,352	29.6
EBIT before profit on disposal of investments and provisions	HK$ 19,117	42.3%	HK$ 21,120	85.5%	HK$ 22,400	86.8%	HK$ 9,137	81.0%	HK$ 9,389	83.0%
Profit on disposal of investments and provisions	HK$ 26,037	57.7	HK$ 3,586	14.5	HK$ 3,395	13.2	HK$ 2,139	19.0	HK$ 1,922	17.0
EBIT	HK$ 45,154	100.0%	HK$ 24,706	100.0%	HK$ 25,795	100.0%	HK$ 11,276	100.0%	HK$ 11,311	100.0%

Hutchison's EBIT decreased from HK$45,154 million in 2000 to HK$24,706 million in 2001 and HK$25,795 million (US$3,307 million) in 2002 and increased from HK$11,276 million in the six months ended June 30, 2002 to HK$11,311 million (US$1,450 million) in the six months ended June 30, 2003.

- The ports and related services and CKI divisions have been steady contributors to Hutchison's EBIT in recent years, accounting for HK$9,227 million, or 20.4% of EBIT in 2000, HK$10,258 million, or 41.6% of EBIT in 2001, HK$11,616 million (US$1,489 million), or 45.0% of EBIT in 2002, HK$5,251 million, or 46.6% of EBIT in the six months ended June 30, 2002 and HK$6,039 million (US$774 million), or 53.4% of EBIT in the six months ended June 30, 2003.

- EBIT from the telecommunications-2G and others division was HK$493 million in 2000, HK$930 million in 2001 and HK$969 million (US$124 million) in 2002. EBIT declined from HK$794 million in the six months ended June 30, 2002 to HK$182 million (US$23 million) in the six months ended June 30, 2003. EBIT increased in 2001 and 2002, mainly due to improved operating results and dividends received from Deutsche Telekom. EBIT declined in the six months ended June 30, 2003 because no dividends were received from Deutsche Telekom in the six months ended June 30, 2003 while a dividend of HK$758 million (US$97 million) was received from Deutsche Telekom in the six months ended June 30, 2002. In addition, as a result of the Asia Global Crossing Chapter 11 bankruptcy, in the six months ended June 30, 2003, Hutchison took a one-time HK$225 million (US$29 million) write-off of the cost of international bandwidth capacity. Hutchison also incurred increased 2G start-up losses in the Indian states of Karnataka, Andhra Pradesh and the city of Chennai which commenced GSM network services in June 2002.

- Loss before interest expense, other finance costs, taxation and minority interests ("LBIT") from the telecommunications-3G division was HK$312 million in 2000, HK$682 million in 2001 and HK$2,070 million (US$265 million) in 2002, HK$729 million in the six months ended June 30, 2002 and HK$3,895 million (US$499 million) in the six months ended June 30, 2003. LBIT increased in 2000, 2001 and 2002 mainly due to the development of 3G infrastructure and network. LBIT increased in the six months ended June 30, 2003 mainly due to the development of 3G infrastructure and network and the start-up losses from the UK, Italy and Australia which commenced operations. Because these networks have commenced operations, we will incur increased depreciation and amortization expenses in future periods.

- EBIT from the property and hotels division was HK$1,536 million in 2000, HK$1,717 million in 2001 and HK$2,570 million (US$329 million) in 2002, HK$981 million in the six months ended June 30, 2002 and HK$1,061 million (US$136 million) in the six months ended June 30, 2003. EBIT increased in 2001 mainly due to increased profits from overseas development. EBIT in 2002 increased mainly due to increased rental income from completed properties, profit from the sale of three hotels in the Mainland and the completion and sale of additional development projects. EBIT increased in the six months ended June 30, 2003 mainly due to the completion and sale of more development projects which offset the adverse effect of the SARS outbreak on the hotel businesses in Hong Kong and the Mainland.

- EBIT from the retail and manufacturing division was HK$665 million in 2000, HK$529 million in 2001 and HK$1,031 million (US$132 million) in 2002, HK$308 million in the six months ended June 30, 2002 and HK$599 million (US$77 million) in the six months ended June 30, 2003. EBIT for the division declined in 2001 mainly due to a one-time restructuring charge incurred from Mainland joint ventures with The Procter & Gamble Company and reduced profit margins, particularly in Taiwan. EBIT improved in 2002 mainly due to profits contributed by the Kruidvat Group and improved results from existing operations and the effect of the one-time restructuring charge in 2001. EBIT improved in the six months ended June 30, 2003 mainly due to additional profits contributed by the Kruidvat Group and improved results from Mainland joint ventures with The Procter & Gamble Company.

- EBIT from Husky Energy was HK$2,047 million in 2000, HK$1,899 million in 2001 and HK$2,084 million (US$267 million) in 2002, HK$938 million in the six months ended June 30, 2002 and HK$2,051 million (US$263 million) in the six months ended June 30, 2003. The decrease in 2001 was primarily due to the lower Canadian dollar exchange rate. The increase in 2002 was due to lower operating expenses. The increase in the six months ended June 30, 2003 was affected by the trends in turnover described above as well as the exchange gain recognized on translation of US dollar denominated debts due to the strengthening of the Canadian dollar.

- EBIT from the finance and investment division consists mainly of interest income, dividends from equity investments, profits from sales of securities and foreign exchange gains or losses arising on repayment of borrowings, less overhead expenses. EBIT from this division grew from HK$5,461 million in 2000 to HK$6,469 million in 2001. The increase in EBIT in 2001 was mainly due to profits recorded on the sale of held-to-maturity debt securities. EBIT for the division declined to HK$6,200 million (US$795 million) in 2002, mainly due to lower market interest rates and the reduced impact of sales of held-to-maturity debt securities in 2002. EBIT for the division increased from HK$1,594 million in the six months ended June 30, 2002 to HK$3,352 million (US$430 million) in the six months ended June 30, 2003 mainly due to sales of held-to-maturity debt securities.

- Details of profit on disposal of investments and provisions included in EBIT are discussed in the section of results of operations of respective periods.

Profit Attributable to Shareholders

The following table shows Hutchison's profit or loss attributable to shareholders by business segment for the years indicated.

	Year Ended December 31,						Unaudited Six Months Ended June 30,			
	2000		2001		2002		2002		2003	
	(in millions, except %)									
Ports and related services	HK$ 2,633	7.7%	HK$ 2,604	21.7%	HK$ 2,924	20.4%	HK$ 1,330	22.4%	HK$ 1,563	25.8%
Telecommunications-2G and others	382	1.1	482	4.0	400	2.8	286	4.8	(420)	(6.9)
Telecommunications-3G	(96)	(0.3)	(360)	(3.0)	(1,730)	(12.0)	(487)	(8.2)	(2,179)	(35.9)
Property and hotels	(971)	(2.8)	(496)	(4.1)	567	3.9	45	0.8	131	2.1
Retail and manufacturing	(212)	(0.6)	(219)	(1.8)	(90)	(0.6)	(64)	(1.1)	(124)	(2.1)
Cheung Kong Infrastructure	2,592	7.6	2,109	17.6	2,591	18.0	1,091	18.3	1,079	17.8
Husky Energy	995	2.9	808	6.7	1,127	7.8	563	9.5	1,516	25.0
Finance and investments	2,840	8.3	3,458	28.9	5,178	36.1	1,043	17.5	2,579	42.5
Total	HK$ 8,163	23.9%	HK$ 8,386	70.0%	HK$ 10,967	76.4%	HK$ 3,807	64.0%	HK$ 4,145	68.3%
Profit on disposal of investments and provisions	HK$ 26,037	76.1%	HK$ 3,586	30.0%	HK$ 3,395	23.6%	HK$ 2,139	36.0%	HK$ 1,922	31.7%
Total profit attributable to shareholders	HK$ 34,200	100.0%	HK$ 11,972	100.0%	HK$ 14,362	100.0%	HK$ 5,946	100.0%	HK$ 6,067	100.0%

Hutchison's profit attributable to shareholders totaled HK$34,200 million in 2000, HK$11,972 million in 2001 and HK$14,362 million (US$1,841 million) in 2002, HK$5,946 million in the six months ended June 30, 2002 and HK$6,067 million (US$778 million) in the six months ended June 30, 2003.

- In 2000, Hutchison's profit attributable to shareholders was significantly enhanced by contributions from the telecommunications division as a result of the profits from the sale of certain of Hutchison's 2G cellular market assets. In 2001 and 2002, however, as a result of the reduced impact from sales of telecommunications assets, the proportion of Hutchison's profit attributable to shareholders contributed by the ports and related services, CKI, and finance and investments divisions substantially increased. In the six months ended June 30, 2003, contribution from Husky Energy increased significantly mainly due to higher production and commodity prices.

- Profit attributable to shareholders in the ports and related services division was HK$2,633 million in 2000, HK$2,604 million in 2001 and HK$2,924 million (US$375 million) in 2002, HK$1,330 million in the six months ended June 30, 2002 and HK$1,563 million (US$200 million) in the six months ended June 30, 2003. The small decrease in 2001 was principally due to increased interest expense and increased minority shareholders' share of profit in the port operations partially offset by additional contributions from the acquired terminals in 2000 and 2001. Increased profit attributable to shareholders contributed by the division in 2002 was principally due to increase in throughput. Increased profit attributable to shareholders contributed by the division in the six months ended June 30, 2003 was principally due to a throughput growth and lower interest rates on borrowings which reduced interest expense.

- Profit attributable to shareholders in the telecommunications-2G and others division was HK$382 million in 2000, HK$482 million in 2001, HK$400 million (US$51 million) in 2002. In 2000 and 2001, profit attributable to shareholders in the telecommunications-2G and others division consisted mainly of dividends received with respect to Hutchison's equity holdings in Vodafone and Deutsche Telekom. Profit attributable to shareholders in the telecommunications-2G and others division declined from HK$286 million in the six months ended June 30, 2002 to a loss attributable to shareholders in the six months ended June 30, 2003 of HK$420 million (US$54 million). This decline was affected by the trends in EBIT described above.

- Loss attributable to shareholders in the telecommunications-3G division was HK$96 million in 2000, HK$360 million in 2001 and HK$1,730 million (US$222 million) in 2002. Loss attributable to shareholders in the telecommunications-3G division was HK$487 million in the six months ended June 30, 2002 and increased to HK$2,179 million (US$279 million) in the six months ended June 30, 2003 due to start-up losses from the 3G services commenced in the UK, Italy and Australia.

- Loss attributable to shareholders contributed by the property and hotels division decreased from a loss of HK$971 million in 2000 to a loss of HK$496 million in 2001, and improved to a profit of HK$567 million (US$73 million) in 2002, HK$45 million in the six months ended June 30, 2002 and HK$131 million (US$17 million) in the six months ended June 30, 2003. The decrease in losses in 2001 was mainly due to the completion and sale of additional development projects. The improvement in 2002 was mainly due to increased rental income, profit from the sale of three hotels in the Mainland, the completion and sale of additional development projects and lower interest rates on borrowings which reduced interest expense. Increase in profit attributable to shareholders in the six months ended June 30, 2003 compared to the same period in 2002 was mainly due to profits on the completion and sale of more development projects and lower interest rates on borrowings which reduced interest expense, partially offset the adverse effect of the SARS outbreak on Hutchison's hotel businesses in Hong Kong and the Mainland.

- Loss attributable to shareholders in the retail and manufacturing division increased from HK$212 million in 2000 to HK$219 million in 2001, principally due to price competition in Hong Kong and Asia in 2001. Loss attributable to shareholders improved from HK$219 million in 2001 to HK$90 million (US$12 million) in 2002. Loss attributable to shareholders increased from HK$64 million in the six months ended June 30, 2002 to HK$124 million (US$16 million) to the six months ended June 30, 2003 mainly due to increased interest expense in relation to the financing of the acquisition of the Kruidvat Group.

- Profit attributable to shareholders contributed by CKI was HK$2,592 million in 2000, HK$2,109 million in 2001 and HK$2,591 million (US$332 million) in 2002, HK$1,091 million in the six months ended June 30, 2002 and HK$1,079 million (US$138 million) in the six months ended June 30, 2003. The decrease in 2001 was principally due to increased interest expense and taxation related to new investments. The increase in 2002 was mainly due to an increased contribution from Hongkong Electric Holdings, improved contributions from the Mainland and Australian energy projects and contribution from CitiPower in Australia, which was acquired in July 2002. The decrease in the six months ended June 30, 2003 was mainly due to change in Hong Kong accounting rules relating to deferred tax recognition and an increase in the corporate tax rate in Hong Kong.

- Profit attributable to shareholders contributed by Husky Energy was HK$995 million in 2000, HK$808 million in 2001 and HK$1,127 million (US$145 million) in 2002, HK$563 million in the six months ended June 30, 2002 and HK$1,516 million (US$194 million) in the six months ended June 30, 2003. The decrease in 2001 was primarily due to a lower Canadian dollar exchange rate. The increase in 2002 was mainly due to lower operating expenses. The increase in the six months ended June 30, 2003 was mainly due to higher production and commodity prices and the exchange gain recognized on translation of US dollar denominated debt due to the strengthening of the Canadian dollar.

- The finance and investment division reported profit attributable to shareholders of HK$2,840 million in 2000, HK$3,458 million in 2001 and HK$5,178 million (US$664 million) in 2002, HK$1,043 million in the six months ended June 30, 2002 and HK$2,579 million (US$331 million) in the six months ended June 30, 2003. This division's results were principally affected by increases in cash balances held in 2000 and 2001 and lower interest expense due to lower interest rates in 2002. The increase in the six months ended June 30, 2003 was mainly due to profit from sales of held-to-maturity debt securities partially offset by higher finance costs due to higher loan balances.
- Details of profit on disposal of investments and provisions included in profit attributable to shareholders are discussed in the section of results of operations of respective periods.

Critical Accounting Policies

The application of Hong Kong GAAP often requires judgments by management when formulating Hutchison's accounting policies and presenting a true and fair view of Hutchison's financial position and results in its consolidated financial statements. Often, judgment is required in respect of items where the choice of specific policy to be followed can materially affect the reported results or net asset position of Hutchison, in particular through estimating either the lives or recoverability of particular assets, or in the timing of when a transaction is recognized.

Asset Impairment

Hutchison considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgments and estimates by management. Intangible and tangible assets, except investment properties, are tested for impairment when an event occurs that might affect asset values. Hutchison continually monitors its businesses, the market and its business environments and makes judgments and assessments about whether such an event has occurred. A provision for impairment in value is recognized to the extent that the carrying amount cannot be recovered either by selling the asset or by discounting future cashflows from operating the asset. Such provision is recognized in the profit and loss account except where the asset is carried at valuation, the provision does not exceed the revaluation surplus for the same asset and the decline is determined not to be temporary, in which case it is treated as a revaluation decrease. Investment properties are tested for impairment in connection with their annual professional valuations.

Asset impairment is an area requiring management judgment, particularly in the assessment as to whether a triggering event has occurred, whether the carrying value of assets can be supported by the net present value of future cash flows derived from assets using cash flow projections, and whether the asset is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level if any of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, as well as the assessment by management of whether or not an impairment is temporary, could significantly affect Hutchison's results of operations. As a result of Hutchison's review for impairment of its 3G licenses, other securities (as defined below), investment properties, development properties, other non-current assets and goodwill, at December 31, 2001, an impairment charge of HK$31,269 million (US$4,009 million) was made to the profit and loss account. As a result of the December 31, 2002 review, no charges were made to the profit and loss account.

3G Licenses

3G licenses are stated at cost and amortized over the periods of the licenses from the date of commencement of commercial operations. At December 31, 2002, management tested Hutchison's 3G licenses for impairment. Considering the discounted future cashflows expected from operating networks under these licenses, the operability of these networks and the underlying technology and the competitive regulatory and overall telecommunications market environment, management concluded that these assets were not impaired.

Liquid Funds and Other Investments

Hutchison's liquid funds and other investments have been classified as listed held-to-maturity debt securities and listed equity securities ("equity securities"). Listed held-to-maturity debt securities are securities that Hutchison intends to hold to maturity and are carried at amortized cost less provision for impairment in value. Equity securities are carried at fair value and represent listed and unlisted investments in companies which are neither subsidiaries, associated companies nor joint ventures. Changes in the fair value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. When determining whether a decline is temporary, management considers, among other items, the length of time the trading price has been below cost, the financial condition of the investee company, including the industry in which it operates, and Hutchison's intention to retain the investment. Upon disposal of other securities, the relevant revaluation surplus or deficit is reflected in the profit and loss account. Dividends and interest income from these investments are recognized on the accrual basis. Given Hutchison's significant investments in securities, non-temporary declines in market values can have a material impact on results of operations and financial condition.

Other unlisted investments are carried at cost less provision for impairment in value and represent investments in unlisted held-to-maturity debt securities and unlisted equity and advances.

Hutchison marked down its investment in Vodafone shares and Deutsche Telekom shares by a total of HK$3,105 million (US$398 million) in 2002 based on the market value of those shares at December 31, 2002. Considering the volatility in the equity markets, the reduction in value was determined to be temporary at December 31, 2002 and was charged against the existing investment valuation reserve on Hutchison's balance sheet. In the six months ended June 30, 2003, prices of Vodafone and Deutsche Telekom shares increased and therefore the charge previously made against the investment valuation reserve was written back on Hutchison's balance sheet as of June 30, 2003. In addition, during the first six months of 2003, Hutchison disposed of certain of its Vodafone and Deutsche Telekom shares at a profit.

Investment Properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value based on existing use as determined annually by an independent professional appraiser. Changes in the value of investment properties are reflected as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant revaluation reserve is recognized in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

Properties under Development

The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later. Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalized interest on related loans.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Hutchison's share of the net assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of its acquisition. Hutchison has adopted SSAP 30 to account for goodwill. Goodwill on acquisitions occurring on or after January 1, 2001 is required to be reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortized using the straight line method over its estimated useful life. This is a change in accounting policy as in previous years goodwill on acquisitions was written off directly to reserves in the year of acquisition. In accordance with a transitional provision under Hong Kong SSAP 30, no retrospective adjustment to the goodwill written off directly to reserves is required.

Pension Costs

Hutchison operates several defined benefit plans. Commencing from January 1, 2002, pension costs are assessed using the projected unit credit method in accordance with the new SSAP 34 "Employee Benefits" issued by the Hong Kong Society of Accountants. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognized net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of greater of the present value of plan obligations and the fair value of plan assets at that date are recognized over the average remaining service lives of employees. Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations which are required to be disclosed and accounted for in Hutchison's audited consolidated accounts for the year ended December 31, 2002 in accordance with the new Hong Kong accounting requirements.

The actuaries use assumptions and estimates in determining the fair value of its defined benefit plans and evaluate and update these assumptions on an annual basis. The actuaries have assumed that the expected long-term rate of return on the assets of Hutchison's various defined benefit schemes range from 4.0% to 8.0%. At December 31, 2002, the fair value of the plan assets amounted to HK$4,814 million, and the actual loss on plan assets in 2002 was HK$477 million, as a result of weaknesses in the equity market.

In prior years, pension costs were charged to the profit and loss account according to Hutchison's annual contributions which were designed to fully fund the plans as advised by independent actuaries.

Deferred Taxation

In previous years, deferred taxation was accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly.

Results of Operations for the Years Ended December 31, 2000, 2001 and 2002 and the Six Months Ended June 30, 2003 and 2002

Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002

Overview

Turnover for the six months ended June 30, 2003 increased HK$19,286 million (US$2,473 million), or 41%, compared to the same period in 2002, mainly due to additional turnover contributed by the Kruidvat Group (which was acquired in October 2002) and Husky Energy, increased throughput in the ports and related services division and sales of development properties.

EBIT for the six months ended June 30, 2003 increased by HK$35 million (US$4 million), which was in line with EBIT in the same period in 2002. All 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 having been received from Deutsche Telekom.

Included in EBIT, profits on the disposal of investments and provisions totaling HK$1,922 million (US$246 million) consisted of:

- profit of HK$1,683 million (US$216 million) on the disposal of the European water businesses;
- profit of HK$1,443 million (US$185 million) from the disposal of holdings in Vodafone Group and Deutsche Telekom; and
- release of provisions made in previous years of HK$1,907 million (US$245 million);
- less a full write-off of HK$3,111 million (US$399 million) investment in Global Crossing. See "Business of Hutchison — Telecommunications — Hutchison's 2G Networks and Other Operations — Other Locations".

In the first half of 2002, profits on the disposal of investments and provisions totaled HK$2,139 million comprising:

- profit of HK$1,129 million (US$145 million) arising from the sale of equity interests, ranging from 1% to 3%, in certain ports;
- the write-back of a HK$395 million (US$51 million) provision previously made for HHR which has been trading at a premium to the Group's book cost; and
- a release of provisions made in previous years.

Finance costs for the six months ended June 30, 2003 increased HK$1,164 million (US$149 million), or 34%, compared to the same period in 2002 primarily due to the issuance of an aggregate of US$3,500 million 6½% notes in February, April and May 2003, the proceeds of which were used to repay a portion of the exchangeable notes due in September 2003 and will be used to repay a portion of the exchangeable notes due in January 2004.

Taxation charge for the six months ended June 30, 2003 decreased HK$157 million (US$20 million), or 16%, compared to the same period in 2002 primarily due to the recognition of net deferred taxation assets of HK$428 million (US$55 million) mainly relating to the expected future tax benefits of 3G start-up losses incurred in the six months ended June 30, 2003.

Minority interests for the six months ended June 30, 2003 decreased HK$1,093 million (US$140 million), or 113%, compared to the same period in 2002 due to higher losses shared by minority shareholders of the 3G businesses in the UK, Italy, Sweden and CDMA-1X in Thailand.

The profit attributable to shareholders for the six months ended June 30, 2003 increased by HK$121 million (US$16 million), or 2%, compared to the same period in 2002.

Ports and Related Services

Turnover for the ports and related services division for the six months ended June 30, 2003 increased HK$1,558 million (US$200 million), or 17%, compared to the same period in 2002, primarily due to throughput growth of 19% to over 19.5 million TEUs at Hutchison's combined container terminal operations. EBIT for the six months ended June 30, 2003 increased HK$439 million (US$56 million), or 14%, compared to the same period in 2002.

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 Europe Container Terminal in Rotterdam was in line with the same period in 2002, although EBIT declined 16%, mainly due to initial costs incurred in the UK, to improve near term productivity.
- 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 increased 39% compared to the same period in 2002 due to throughput growth at Shanghai Container Terminals and the acquisition of Shanghai Pudong International Container Terminals at Waigaoqiao in March 2003.
- In Indonesia, Jakarta International Container Terminal's and the adjacent Koja Terminal's combined throughput decreased by 5% and EBIT decreased 10% compared the same period in 2002, mainly due to the current political and economic environment.

The ports and related services division's contribution to profit attributable to shareholders for the six months ended June 30, 2003 increased HK$233 million (US$29 million), or 18%, compared to the same period in 2002, mainly due to throughput growth and lower interest rates on borrowing which reduced interest expenses.

Telecommunications-2G and others

Turnover of the telecommunications division increased HK$657 million (US$84 million), or 10%, compared to the same period in 2002 mainly due to continued strong subscriber growth in the Group's India and Israel operations partially offset by no dividends having been received from Deutsche Telekom in the six months ended June 30, 2003. The Group's subscriber base of over 6.1 million at the end of 2002 grew 16% to 7.1 million subscribers as of August 2003.

EBIT for the six months ended June 30, 2003 decreased HK$612 million (US$78 million), or 77%. Last year's result included a HK$758 million dividend received from Deutsche Telekom, which paid no dividends in the first six months ended June 30, 2003. In addition, as a result of the Asia Global Crossing Chapter 11 bankruptcy, in the six months ended June 30, 2003, Hutchison took a one-time HK$225 million (US$29 million) write-off of the cost of international bandwidth capacity. Further, Hutchison incurred increased 2G start-up losses in the Indian states of Karnataka, Andhra Pradesh and the city of Chennai which commenced GSM network services in June 2002.

The division's loss attributable to shareholders for the six months ended June 30, 2003 was HK$420 million (US$54 million), an increase of loss of HK$706 million (US$91 million), compared to the profit attributable to shareholders of HK$286 million in the six months ended June 30, 2002, mainly due to the impact of Deutsche Telekom dividends not being received, as described above.

Telecommunications-3G

Turnover of the telecommunications-3G division in the six months ended June 30, 2003 was HK$245 million (US$31 million), as a result of the commencement of the Group's 3G operations in the UK, Italy and Australia.

LBIT for the six months ended June 30, 2003 increased HK$3,166 million (US$406 million), or 434%, compared to the same period in 2002, mainly due to higher start up losses as this division continues to build its businesses.

The division's loss attributable to shareholders for the six months ended June 30, 2003 increased HK$1,692 million (US$217 million) or 347%, compared to the same period in 2002, mainly due to the higher start up losses described above partially offset by the impact of expected future tax benefits of 3G start-up losses incurred in the six months ended June 30, 2003.

Property and Hotels

Turnover of the property and hotels division increased HK$926 million (US$119 million), or 39%, compared to the same period in 2002, mainly due to the completion and sale of more development projects during the period. Gross rental income, including the Group's share of associated companies' income, was HK$1,137 million (US$146 million) in the first six months of 2003, 5% below the same period in 2002, mainly due to lower rental rates in office buildings as leases were renewed. The rental property portfolio is 96% rented. Profit from development projects was primarily from the completion and sale of residential units consisting of Phase II and III of Le Parc in Shenzhen, The Summit in Shanghai and the Victoria Towers in Hong Kong.

EBIT for the six months ended June 30, 2003 increased HK$80 million (US$10 million), or 8%, compared to the same period in 2002 mainly due to increased profit from the sale of development projects which offset the adverse effect of the SARS outbreak on Hutchison's hotel businesses in Hong Kong and the Mainland.

The property and hotels division's contribution to profit attributable to shareholders for the six months ended June 30, 2003 increased HK$86 million (US$11 million), or 191%, compared to the same period in 2002 due to lower interest rates on borrowings which reduced the interest expense.

Retail and Manufacturing

Turnover of the retail and manufacturing division increased HK$12,988 million (US$1,665 million), or 79% in the first six months of 2003, compared to the same period in 2002 mainly due to the turnover contributed from the Kruidvat Group acquired in October 2002, and from existing health and beauty operations in Asia and the UK.

EBIT for the six months ended June 30, 2003 increased HK$291 million (US$37 million), or 94% in the first six months of 2003, compared to the same period in 2002, 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 division's loss attributable to shareholders for the six months ended June 30, 2003 increased HK$60 million (US$8 million), or 94% in the first six months of 2003, compared to the same period in 2002, primarily due to increased interest expense in relation to the financing of the acquisition of the Kruidvat Group.

Cheung Kong Infrastructure

Turnover of CKI increased HK$487 million (US$62 million), or 10%, compared to the same period in 2002, mainly due to increased turnover from Hongkong Electric Holdings in the first six months of 2003, energy investments in Australia, which are jointly held by CKI and a subsidiary of Hongkong Electric Holdings, and the Zhuhai Power Plant in the Mainland.

EBIT for the six months ended June 30, 2003 increased HK$349 million (US$45 million), or 16%, in the first six months of 2003 compared to the same period in 2002, principally due to higher contributions from the Australian electricity distribution businesses (including contribution from the newly acquired CitiPower in August 2002) and Hongkong Electric Holdings, partially offset by slower infrastructure materials businesses.

The division's contribution to profit attributable to shareholders decreased HK$12 million (US$2 million), or 1% in the first six months of 2003, compared to the same period in 2002, mainly due to higher taxation expenses from Hongkong Electric Holdings due to a change in Hong Kong accounting rules relating to deferred tax recognition and an increase in the corporate tax rate in Hong Kong.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for the six months ended June 30, 2003 increased HK$2,306 million (US$296 million), or 43%, compared to the same period in 2002, principally due to higher production and commodity prices.

EBIT for the six months ended June 30, 2003 increased HK$1,113 million (US$143 million), or 119%, compared to the same period in 2002 due to increased in turnover described above as well as the exchange gain recognized on translation of US dollar denominated debts due to the strengthening of the Canadian dollar.

The division's contribution to profit attributable to shareholders increased HK$953 million (US$122 million), or 169%, compared to the same period in 2002, mainly due to the increase in EBIT, partially offset by higher taxation charge.

Finance and Investments

Turnover of the finance and investments division for the six months ended June 30, 2003 increased HK$119 million (US$15 million), or 6%, compared to the same period in 2002, primarily due to higher average cash balances, partially offset by lower interest rates.

EBIT for the six months ended June 30, 2003 increased HK$1,758 million (US$225 million), or 110%, compared to the same period in 2002 mainly due to higher profit on the disposal of held-to-maturity debt securities as well as the increase in turnover.

The division's contribution to profit attributable to shareholders increased HK$1,536 million (US$197 million), or 147%, primarily due to profit from sales of held-to-maturity debt securities partially offset by higher interest expense due to higher loan balance.

2002 Compared to 2001

Overview

Turnover for 2002 increased HK$22,091 million (US$2,832 million), or 25%, compared to 2001, mainly reflecting increased turnover in the retail and manufacturing, properties and hotels, ports and related services and telecommunications divisions. These were partially offset by decreased turnover in the finance and investment division mainly due to a lower market interest rate environment.

EBIT for 2002 increased HK$1,089 million (US$140 million), or 4%, compared to 2001. All of Hutchison's divisions, other than the telecommunications-3G and finance and investments divisions, reported EBIT ahead of last year.

Included in EBIT, profits on the disposal of investments and provisions totaling HK$3,395 million (US$435 million) consisted of:

- the release of provisions made in previous years of HK$1,871 million (US$240 million);
- profit of HK$1,129 million (US$145 million) arising from the sale of equity interests, ranging from 1% to 3%, in certain ports; and
- the write-back of a provision of HK$395 million (US$51 million) previously made for HHR which has been trading at a premium to Hutchison's book cost.

In 2001, profits on the disposal of investments and provisions totaled HK$3,586 million comprising:

- profit of HK$30,000 million arising from the merger of VoiceStream Wireless Corporation ("VoiceStream") with Deutsche Telekom, from which Hutchison received cash in the amount of approximately US$885 million and a 4.9% equity interest in Deutsche Telekom;
- profit of HK$4,393 million arising from the disposal of 695 million shares of Vodafone and approximately 89 million shares of Deutsche Telekom pursuant to forward sales contracts for delivery in 2002;
- the release of provisions made in previous years of HK$462 million; less
- a HK$29,769 million provision for share price and exchange rate fluctuations on overseas investments; and
- a HK$1,500 million provision for two Hong Kong development projects at "Caribbean Coast" in Tung Chung and "The Metropolis" above the Kowloon Canton Railway Station.

Finance costs for 2002 decreased HK$1,674 million (US$215 million), or 19%, compared to 2001 primarily due to reduced average interest rates, after taking into consideration interest rate swap agreements, partially offset by a higher average total loan balance as Hutchison drew down on existing, mainly non or limited-recourse, bank loan facilities to finance the development of its 3G network.

Taxation charge for 2002 increased HK$226 million (US$29 million), or 11%, compared to 2001 due to increased profit mainly from the overseas ports operations acquired in 2001 and early 2002 in the jurisdictions with higher effective tax rates, and also from the overseas retail operations, including Kruidvat Group which was acquired in October 2002.

Minority interests for 2002 increased HK$147 million (US$19 million), or 8%, compared to 2001.

The profit attributable to shareholders for 2002 increased by HK$2,390 million (US$306 million), or 20%, compared to 2001. Excluding profits on disposal of investments and provisions in both years, profit attributable to shareholders increased by HK$2,581 million, or 31% compared to 2001.

Ports and Related Services

Turnover for the ports and related services division for 2002 increased HK$5,067 million (US$650 million), or 33%, compared to 2001, primarily due to a 32% increase in annual throughput growth to reach 35.8 million TEUs. The increased throughput resulted from growth at existing ports and additional contributions from the 13 container terminals acquired in the latter part of 2001 and in early 2002, including eight container terminals in Mexico, Argentina, Pakistan, Saudi Arabia, Tanzania and Thailand which were acquired in June 2001; Ningbo Beilun Container Terminal Phase II in the Mainland 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. Combined throughput growth at HIT and COSCO-HIT was 7% above 2001. Yantian International Container Terminals recorded another year of growth with throughput increasing 52%. In Indonesia, JICT and the adjacent Koja Terminal reported combined throughput growth of 5%. Shanghai Container Terminals reported a 16% growth in throughput.

EBIT for 2002 increased HK$957 million (US$123 million), or 17%, compared to 2001, mainly due to increased throughput and the contributions from the acquired port operations.

The division's contribution to profit attributable to shareholders for 2002 increased HK$320 million (US$41 million), or 12%, compared to 2001, mainly due to increased throughput partially offset by higher interest expenses arising from overseas ports operations acquired in 2001 and early 2002.

Telecommunications-2G and others

Turnover of the telecommunications-2G and others division increased HK$1,899 million (US$243 million), or 17%, compared to 2001 mainly due to continued strong subscriber growth. Hutchison's global 2G mobile subscriber base grew 34% to over 6.1 million subscribers at December 31, 2002, mainly due to continued growth in its India and Israel operations. Hutchison maintained its position as the largest mobile operator in Hong Kong with approximately 1.7 million subscribers and an approximately 28% market share.

EBIT for 2002 increased HK$39 million (US$5 million), or 4%, mainly due to improved results in Hong Kong, India and Israel and increased dividends received on equity investments, partially offset by losses in the listed Australian operations.

The division's contribution to profit attributable to shareholders for 2002 decreased HK$82 million (US$11 million), or 17%, compared to 2001.

Telecommunications-3G

LBIT from the telecommunications-3G division increased HK$1,388 million (US$178 million), or 204%, compared to 2001 due to higher start up losses as this division continues to build its businesses.

The division's loss attributable to shareholders for 2002 increased HK$1,370 million (US$176 million), or 381%, compared to 2001 due to higher start up losses described above.

Property and Hotels

Turnover of the property and hotels division increased HK$6,193 million (US$794 million), or 112%, compared to 2001, mainly due to increased development activity. Gross rental income from the investment properties, including Hutchison's share of associated companies' rental income, grew 9% to HK$2,438 million in 2002.

EBIT for 2002 increased HK$853 million (US$109 million), or 50%, mainly due to profit realized from the sale of three hotels in the Mainland, increased rental income from completed properties and increased profits from the completion and sale of more development projects.

The division's contribution to profit attributable to shareholders for 2002 increased HK$1,063 million (US$136 million) compared to the loss attributable to shareholders of HK$496 million in 2001, mainly due to the completion and sale of additional development projects and lower interest rates on borrowings which reduced the interest expense.

Retail and Manufacturing

Turnover of the retail and manufacturing division increased HK$9,928 million (US$1,273 million), or 34%, compared to 2001, mainly due to the turnover contributed by the Kruidvat Group acquired in October 2002 and increased sales of PARKnSHOP.

EBIT for 2002 increased HK$502 million (US$64 million), or 95%, compared to 2001, mainly due to higher profits contributed by the Kruidvat Group and improved results from existing operations and the effect of the one-time restructuring charge in 2001.

The division's loss attributable to shareholders for 2002 improved HK$129 million (US$17 million), compared to the loss attributable to shareholders of HK$219 million in 2001, primarily due to profit contributed by Kruidvat Group which was acquired in October 2002, partially offset by additional interest expenses and taxation charges from the acquisition of the Kruidvat Group.

Cheung Kong Infrastructure

Turnover of CKI increased HK$547 million (US$70 million), or 5%, compared to 2001, mainly due to increased turnover from the Australian joint ventures and the Zhuhai Power Plant in the Mainland.

EBIT for 2002 increased HK$401 million (US$51 million), or 9%, compared to 2001, principally due to improved results from Hongkong Electric Holdings, the Australian joint ventures and Zhuhai Power Plant in 2002 and a provision for underperforming Mainland joint ventures made in 2001, partially offset by a one-time profit on the sale of Powercor's retail operations and the Nanhai Power Plant I which was recorded in 2001.

CKI's contribution to profit attributable to shareholders increased HK$482 million (US$62 million), or 23%, compared to 2001, mainly due to changes in EBIT described above.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for 2002 decreased HK$603 million (US$77 million), or 5%, compared to 2001, principally due to lower average North American natural gas prices, partially offset by higher crude oil prices and production.

EBIT for 2002 increased HK$185 million (US$24 million), or 10%, compared to 2001 due to lower operating expenses.

Husky Energy's contribution to profit attributable to shareholders increased HK$319 million (US$41 million), or 39%, compared to 2001, mainly due to changes in EBIT described above.

Finance and Investments

Turnover of the finance and investments division for 2002 decreased HK$940 million (US$121 million), or 18%, compared to 2001, mainly due to lower interest rates and lower average balance of cash and liquid funds as a result of various port and telecommunication investments. EBIT for 2002 decreased HK$269 million (US$34 million), or 4%, compared to 2001 for the same reasons. The division's contribution to profit attributable to shareholders increased HK$1,720 million (US$221 million), or 50%, primarily due to lower interest expense due to lower interest rates in 2002.

2001 Compared to 2000

Overview

Turnover for 2001 increased HK$4,213 million, or 5%, compared to 2000, reflecting increased turnover in all core businesses, except property and hotels where development activity in Hong Kong was lower.

EBIT for 2001 decreased HK$20,448 million, or 45%, compared to 2000, principally due to decreased profit on disposal of investments and provisions. All of the business divisions reported EBIT ahead of 2000 except for retail and manufacturing and Husky Energy.

Included in EBIT, profits on disposals of investments and provisions totaling HK$3,586 million in 2001 compared to HK$26,037 million in 2000, which was made up of a total profit of HK$60,037 million arising from the following, less a HK$34,000 million provision for share price and exchange rate fluctuations on overseas investments:

- a profit of HK$50,000 million on disposal of Mannesmann AG ("Mannesmann") common shares in exchange for Vodafone ordinary shares;
- a profit of HK$1,600 million on the subsequent disposal of 925 million Vodafone shares;
- a profit of HK$2,200 million on the sale of a 19% interest in Hong Kong mobile operation;
- a profit of HK$4,222 million on the merger of Husky Oil Limited ("Husky Oil") with Renaissance Energy Ltd. ("Renaissance Energy");
- a profit of HK$1,720 million on the sale of a 50% interest in fixed line telecommunications business; and
- the release of provisions made in previous years of HK$295 million.

Finance costs for 2001 increased HK$853 million, or 11%, compared to 2000, mainly due to an increased average loan balance as a result of the issue in September 2000 and January 2001 of an aggregate of US$5,657 million notes which are exchangeable into Vodafone shares, borrowings by CKI in the latter part of 2000 to finance and naturally hedge the currency risk of an infrastructure investment in Powercor in Australia, and local currency borrowings to fund the expansion of Hutchison's overseas telecommunications operations, partially offset by reduced interest rates.

Taxation charge for 2001 increased HK$470 million, or 29%, compared to 2000 mainly due to increased profits from port operations acquired in 2001 and increased profits in CKI's Australian joint ventures.

Minority interests for 2001 increased HK$457 million, or 33%, compared to 2000 reflecting the minority shareholders' share of profits in the port operations acquired in 2000 and 2001.

The profit attributable to shareholders for 2001 decreased HK$22,228 million, or 65%, compared to 2000, principally due to decreased profits on disposal of investments and provisions. Excluding profits on disposal of investments and provisions in both years, profit attributable to shareholders increased by HK$223 million or 3%.

Ports and Related Services

Turnover for the ports and related services division in 2001 increased HK$1,279 million, or 9% compared to 2000, primarily due to increased throughput at Hutchison's Yantian and Panama ports, full year throughput from the ports of Koja Terminal in Indonesia and Kelang Multi Terminal in Malaysia, which were acquired in the second half of 2000, and the additional throughput from eight port operations acquired in six countries in mid-2001. These increases more than offset throughput declines in the Hong Kong, Shanghai and UK ports. The combined throughput of Hutchison's worldwide operations increased 6% to 27 million TEUs. In Hong Kong, HIT and COSCO-HIT, an associated company, reported a 7% decline in combined throughput compared to 2000. This was more than offset by YICT's 28% growth in throughput. Shanghai Container Terminals reported a 12% decline in throughput as a result of the diversion of throughput to a nearby terminal in Shanghai. In Indonesia, the combined throughput of JICT and the adjacent Koja Terminal was 12% above last year. In the UK, terminals at the Port of Felixstowe, Thamesport and Harwich reported a combined throughput decrease of 5%.

EBIT for 2001 increased HK$414 million, or 8% compared to 2000, mainly due to the increase in throughput mentioned above.

The division's contribution to profit attributable to shareholders for 2001 decreased HK$29 million, or 1%, compared to 2000. The decrease in profit attributable to shareholders was primarily due to higher taxation due to a greater proportion of profits arising from jurisdictions with higher effective tax rates partially offset by increased EBIT.

Telecommunications-2G and others

Turnover for the telecommunications-2G and others division for 2001 increased HK$1,411 million, or 14%, compared to 2000, mainly due to continued strong subscriber growth. Hutchison's global 2G mobile subscriber base which grew 31% from 3.5 million subscribers at the end of 2000 to 4.6 million subscribers at December 2001, mainly due to continued growth in its India and Israel operations. Hutchison maintained its position as the largest mobile operator in Hong Kong with approximately 1.7 million subscribers and an approximate 30% market share.

EBIT increased HK$437 million, or 89%, mainly attributable to improvements in operating results in India and Israel and a one-off dividend received from VoiceStream prior to its merger with Deutsche Telekom.

The division's contribution to profit attributable to shareholders for 2001 increased HK$100 million, or 26%, due to increased dividends received from Voice Stream, partially offset by additional losses of Hutchison's 2G operations.

Telecommunications-3G

LBIT from the telecommunications-3G division increased HK$370 million, or 119%, compared to 2000 due to higher start up losses as this division continues to build its businesses.

The division's loss attributable to shareholders for 2001 increased HK$264 million, or 275%, compared to 2000 due to higher start up losses described above.

Property and Hotels

Turnover for the property and hotels division decreased HK$1,757 million, or 24%, mainly due to decreased development activity in Hong Kong. Gross rental income from Hutchison's investment properties including Hutchison's share of associated companies' rental income, grew 3% in 2001 to HK$2,239 million.

EBIT increased HK$181 million, or 12%, compared to 2000, mainly due to increased profits from overseas development activity during the year. The division's portfolio of hotels reported results below the previous year's due to the start up losses at its Our Lucaya resort on Grand Bahama Island and reduced occupancy levels, particularly after the events of September 11, 2001 in the United States.

The division's loss attributable to shareholders for 2001 decreased HK$475 million, or 49%, compared to 2000, primarily due to additional completion and sale of overseas development projects in 2001.

Retail and Manufacturing

Turnover for the retail and manufacturing division for 2001 increased HK$2,295 million, or 8%, reflecting increased PARKnSHOP sales and overseas expansion.

EBIT decreased HK$136 million, or 20%, compared to 2000, due to reduced margins in Hong Kong and Taiwan, and reduced contribution from Fortress and water and beverages operations due to price competition partially offset by the higher sales from PARKnSHOP and the division's personal care, health and beauty products. In addition one-time restructuring charges from Hutchison's mainland joint ventures with Procter & Gamble were recorded in 2001.

The division's loss attributable to shareholders for 2001 increased HK$7 million, or 3%, compared to 2000 due to reduced EBIT partially offset by lower interest expenses.

Cheung Kong Infrastructure

Turnover for CKI attributable to Hutchison for 2001 increased HK$1,182 million, or 13%, compared to 2000 due to increased contribution from Hongkong Electric Holdings, the Australian infrastructure joint ventures of ETSA Utilities and Powercor and Zhuhai Power Plant after its completion in February 2001, but was partially offset by decreased turnover from Mainland infrastructure joint ventures and the cement and concrete businesses.

EBIT increased HK$617 million, or 16%, compared to 2000 due to increased contributions from Hongkong Electric Holdings arising from the increase in turnover and Hongkong Electric Holdings' share of the profit on the sale of the retail businesses of Powercor. In addition, CKI recorded a gain of HK$351 million on the disposal of Powercor's retail operations in Australia and a gain of HK$221 million on disposal of Nanhai Power Plant I. These were offset by CKI's Mainland infrastructure businesses reporting reduced EBIT due to lower turnover combined with a provision of HK$500 million made against certain of these joint venture projects.

Profits contributed by CKI to Hutchison decreased HK$483 million, or 19% compared to 2000 mainly due to higher interest expenses and taxation expenses that arose from the acquisition of Australian power distribution businesses.

Husky Energy

Turnover for Husky Energy attributable to Hutchison for 2001 increased HK$359 million, or 3%, compared to 2000, principally due to increased production after the merger with Renaissance Energy offset by reduced shareholding (from 49% to 35.1%) and the lower Canadian dollar exchange rate. EBIT decreased HK$148 million, or 7% compared to 2000. Husky Energy's contribution to profit attributable to shareholders decreased HK$187 million, or 19% compared to 2000, primarily due to lower Canadian dollar exchange rate.

Finance and Investments

Turnover for the finance and investments division for 2001 decreased HK$556 million, or 10%, due to lower interest income from lower prevailing market interest rates. EBIT increased HK$1,008 million, or 18% compared to 2000, mainly due to higher profit from sales of held-to-maturity debt securities. Profit attributable to shareholders increased HK$618 million, or 22%, compared to 2000, primarily due to lower interest expense as a result of lower interest rate in 2002.

Liquidity and Capital Resources

The discussion of liquidity and capital resources addresses Hutchison's consolidated cash flow statement, capital expenditures, borrowings, cash, liquid funds and other listed equity securities, off-balance sheet arrangements, commitments and contingent liabilities. Hutchison finances its working capital requirements primarily through funds generated from operations. Hutchison had cash and cash equivalents of HK$47,375 million as of December 31, 2000, HK$47,374 million as of December 31, 2001, HK$42,852 million (US$5,494 million) as of December 31, 2002 and HK$84,374 million (US$10,818 million) as of June 30, 2003.

Cash Flows from Operating Activities

Cash flows from operating activities were HK$27,575 million in 2000, HK$14,830 million in 2001, HK$24,803 million (US$3,180 million) in 2002 and HK$8,695 million (US$1,115 million) in the first half of 2003.

Cash flows from operating activities decreased HK$12,745 million, or 46%, in 2001 mainly due to a decrease in cash exceptional items from HK$25,599 million in 2000 to HK$4,624 million in 2001 and a decrease in distributions from property jointly controlled entities, partially offset by a decrease in cash outflow from changes in working capital.

Cash flows from operating activities increased HK$9,973 million, or 67%, in 2002 mainly due to an increase in cash flow from working capital, an increase in distributions from property jointly controlled entities in Hong Kong and a decrease in interest and other finance costs.

Cash flows from operating activities increased HK$2,119 million, or 32%, in the six month period ended June 30, 2003 compared to the same period in 2002 mainly due to a decrease in cash outflow from changes in working capital and increases in dividend received from associated companies and jointly controlled entities, partially offset by increases in interest and other finance costs, 3G start up operating expenditures and a reduction in distribution from property jointly controlled entities.

Cash Flows used in Investing Activities

Net cash used in investing activities consisted mainly of (i) capital expenditures, (ii) purchases of 3G licenses and (iii) purchases of subsidiaries. Net cash used in investing activities, net of proceeds received on disposals, totaled HK$52,826 million in 2000, HK$25,152 million in 2001, HK$49,427 million (US$6,337 million) in 2002 and HK$3,498 million (US$448 million) for the six month period ended June 30, 2003. Net cash used in investing activities decreased HK$27,674 million, or 52%, in 2001 due to a significant reduction in expenditures on 3G licenses, partially offset by decreases in proceeds on disposal of liquid funds and other listed investments and proceeds on disposal of subsidiaries. Net cash used in investing activities increased HK$24,275 million, or 97% in 2002 primarily due to increases in capital expenditures on 3G and purchase of subsidiaries, partially offset by a reduction in repayment from associated companies and non-property jointly controlled entities and other joint ventures. Net cash used in investing activities decreased HK$2,946 million, or 46%, in the six month ended June 30, 2003 compared to the same period in 2002 due to the proceeds received from the disposal of European water businesses and increases in proceeds on disposal of liquid funds and other listed investments partially offset by an increase in capital expenditures on 3G.

(i) Capital Expenditures

The following table sets forth Hutchison's capital expenditures by division in 2000, 2001 and 2002 and in the six month periods ended June 30, 2002 and 2003.

Capital Expenditures

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
			(in millions)		
Ports and related services	HK$ 1,127	HK$ 1,169	HK$ 4,005	HK$ 2,723	HK$ 2,517
Telecommunications-2G and others	1,287	3,311	2,799	566	1,372
Property and hotels[1]	1,826	735	1,190	641	651
Retail and manufacturing	1,158	1,292	1,237	551	590
Cheung Kong Infrastructure	150	108	111	29	53
Husky Energy	—	—	—	—	—
Finance and investments	650	146	14	62	10
	HK$ 6,198	HK$ 6,761	HK$ 9,356	HK$ 4,572	HK$ 5,193
Telecommunications-3G	126	7,532	29,842	9,321	13,768
	HK$ 6,324	HK$ 14,293	HK$ 39,198	HK$ 13,893	HK$ 18,961
Purchase of 3G licenses	80,039	1,684	180	25	25
Total	HK$ 86,363	HK$ 15,977	HK$ 39,378	HK$ 13,918	HK$ 18,986

[1] Capital expenditure excludes costs incurred on property developments for sale.

In 2000, Hutchison's total capital expenditures were HK$6,324 million. The ports and related services division incurred expenditures of HK$1,127 million mainly for the expansion at HIT with the commencement of construction of Container Terminal 9 ("CT9") in Hong Kong, the redevelopment of the Balboa facility in Panama, which was completed in December 2000 and the expansion of the Jakarta International Container Terminal ("JICT"). The telecommunications-2G and others division incurred capital expenditures of HK$1,287 million mainly on expanding and maintaining its 2G mobile network in Hong Kong and Australia. The property and hotels division incurred capital expenditures of HK$1,826 million mainly on the construction of Our Lucaya resort in the Grand Bahama Island. The retail and manufacturing division incurred capital expenditures of HK$1,158 million mainly on new store openings. Finance and investments division incurred capital expenditures of HK$650 million mainly on an acquisition of an overseas property.

In 2001, Hutchison's total capital expenditures were HK$14,293 million. The ports and related services division incurred expenditures of HK$1,169 million for HIT's continuing construction of CT9 and the expansion of the JICT, Felixstowe port in the UK and the Balboa facility in Panama. The telecommunications-2G and others division incurred capital expenditures of HK$3,311 million mainly on the construction of network in Australia and Hong Kong. The property and hotels division incurred capital expenditures of HK$735 million mainly on the remaining construction work in Our Lucaya resort and the Rambler Crest in Tsing Yi, Hong Kong. The retail and manufacturing division incurred capital expenditures of HK$1,292 million mainly on new store openings. The telecommunications-3G division incurred capital expenditures of HK$7,532 million for the construction of the 3G network and infrastructure in the UK, Italy, Sweden and Austria.

The increase in total capital expenditures for 2001 were HK$7,969 million, or 126%, higher than total capital expenditures in 2000, primarily due to an increase in capital expenditures on 3G. Excluding capital expenditures on 3G for both years, capital expenditures for 2001 were HK$563 million, or 9%, higher than 2000. The increase was mainly attributable to the telecommunications-2G and others division and the retail and manufacturing division. This increase was partially offset by lower capital expenditures in the property and hotels division as construction of Our Lucaya resort was almost complete by the end of 2000.

In 2002, Hutchison's total capital expenditures were HK$39,198 million. The ports and related services division incurred capital expenditures of HK$4,005 million on acquisition of assets of the three terminals in South Korea, the expansion of Phase IIIA in Yantian International Container Terminals, HIT's continuing construction of CT9 and the expansion of the UK ports and Europe Container Terminals in the Netherlands. The telecommunications-2G and others division incurred capital expenditures of HK$2,799 million mainly on the construction of the CDMA-1X network in Thailand and the fixed line network expansion in Hong Kong. The property and hotels division incurred capital expenditures of HK$1,190 million mainly on construction of the Rambler Crest in Tsing Yi, and repairing expenditures on Sheraton Hong Kong Hotel and Our Lucaya resort. The retail and manufacturing division incurred capital expenditures of HK$1,237 million mainly on new store openings. The telecommunications-3G division incurred capital expenditures of HK$29,842 million mainly for the construction of the 3G network and infrastructure in the UK, Italy, Sweden, Denmark, Austria, Australia and Hong Kong.

The total capital expenditures for 2002 were HK$24,905 million, or 174%, higher than the total capital expenditures in 2001 primarily due to an increase in capital expenditures on telecommunications-3G. Excluding capital expenditures on 3G for both years, increase in capital expenditures for 2002 were HK$2,595 million, or 38% higher than 2001. The increase was mainly attributable to the ports and related services division and Hutchison Global Communications ("HGC"), which became a wholly owned subsidiary from May 2002.

In the six months ended June 30, 2003, Hutchison's total capital expenditures were HK$18,961 million. The ports and related services division incurred capital expenditures of HK$2,517 million on the expansion of Phase IIIA in Yantian International Container Terminals, HIT's continuing construction of CT9 and the expansion of ports in the UK, Panama, Bahamas and Indonesia. The telecommunications-2G and others division incurred capital expenditures of HK$1,372 million mainly on the fixed line network expansion in Hong Kong and the construction of CDMA-1X network and infrastructure in Thailand. The property and hotels division incurred capital expenditures of HK$651 million mainly on construction of the Rambler Crest in Tsing Yi and repairing expenditures on Sheraton Hong Kong Hotel. The retail and manufacturing division incurred capital expenditures of HK$590 million mainly on new store openings. The telecommunications-3G division incurred capital expenditures of HK$13,768 million mainly for the construction of the 3G network and infrastructure in the UK, Italy, Sweden, Denmark, Austria, Australia and Hong Kong.

The total capital expenditures for the six month period ended June 30, 2003 were HK$5,068 million, or 36%, higher than the total capital expenditures in the same period last year primarily due to an increase in capital expenditures on telecommunications-3G. Excluding capital expenditures on 3G for both periods, increase in capital expenditures in the six month period ended June 30, 2003 were HK$621 million, or 14% higher than 2002. The increase was mainly attributable to the telecommunications-2G and other division. The total capital expenditure for 2003 are expected to be not more than 2002.

Hutchison expects to finance its capital expenditures from cash on hand, cash generated internally and, to the extent required, by external borrowings.

Following a review of 3G capital expenditure requirements for telecommunications-3G, network operating methods and costs, Hutchison believes that it can reduce the aggregate peak funding requirement for the 3G business networks through 2005 by €4,000 million (approximately HK$31,000 million). Management estimates that, by the end of 2003, approximately 100% of the license costs and approximately 70% of the capital expenditure requirements for the 3G operations will have been incurred substantially completing the 3G investment phase.

(ii) Purchases of 3G Licenses

In 2000, Hutchison incurred HK$80,039 million in acquiring 3G licenses in Australia, the UK, Italy and Austria.

- In March 2000, Hutchison Australia acquired 1,800 MHz spectrum capital city licenses covering Sydney, Melbourne, Brisbane, Adelaide and Perth at a total cost of A$670 million (approximately HK$3,220 million).
- In April 2000, Hutchison acquired a license to operate a 3G network in the UK through its subsidiary, Hutchison 3G UK. Hutchison 3G UK has fully paid the license fee of £4,385 million (approximately HK$53,510 million). Subsequent to acquiring the license, in September 2000 Hutchison sold a 20% interest in Hutchison 3G UK to NTT DoCoMo and a 15% interest in Hutchison 3G UK to KPN. Hutchison received an aggregate consideration of approximately £2,100 million (approximately HK$23,000 million) on the sale and currently holds 65% of Hutchison 3G UK. The business plan prepared by Hutchison 3G UK for its syndicated debt facility calls for capital expenditures of approximately £2,200 million (approximately HK$26,000 million) for the build-out of the UK 3G business through 2005.
- In October 2000, Hutchison, through its then 51% owned subsidiary H3G S.p.A. ("H3G Italia") acquired a license to operate a national 3G network in Italy. H3G Italia has fully paid the license fee of €3,254 million (approximately HK$21,200 million). The business plan prepared by H3G Italia for its syndicated debt facility calls for capital expenditures of approximately €4,000 million (approximately HK$31,000 million) for the Italian 3G business through 2005.

- In November 2000, Hutchison 3G Austria, a wholly owned subsidiary of Hutchison, acquired a license to operate a national 3G network in Austria for a license fee of €139 million (approximately HK$930 million) which has been fully paid.

In 2001, Hutchison incurred HK$1,684 million in acquiring the 3G licenses in Australia and Denmark.

- In April 2001, Hutchison Australia acquired 2100 MHz spectrum licenses covering Sydney, Melbourne, Brisbane, Adelaide and Perth at a cost of A$196 million (approximately HK$773 million).
- In September 2001, HI3G Denmark, a wholly owned subsidiary of HI3G Access AB (a joint venture between Hutchison (60%) and Investor AB (40%)), acquired one of four licenses to operate a national 3G network in Denmark for a fee of approximately 950 million Danish Kroner (approximately HK$920 million), of which 237 million Danish Kroner has been paid and 713 million Danish Kroner is payable in annual installments over 10 years. The license authorizes HI3G Denmark to use 15 MHz of paired spectrum and 5 MHz of unpaired spectrum for 20 years.

In 2002, Hutchison paid HK$180 million with respect to 3G licenses in Ireland, Denmark and Hong Kong. In June 2002, Hutchison 3G Ireland Limited ("Hutchison 3G Ireland"), a wholly owned subsidiary of Hutchison, acquired a license to operate a national 3G network in the Republic of Ireland. The total spectrum access fee for the license is €50.7 million (approximately HK$390 million), of which an initial installment of €12.7 million (approximately HK$98 million) has been paid. An additional €2.5 million (approximately HK$19 million) per annum is payable in years 6 to 10 and €5.1 million (approximately HK$39 million) per annum is payable in years 11 to 15. The license authorizes Hutchison 3G Ireland to use 15MHz of paired spectrum for 20 years.

For the six month period ended June 30, 2003, Hutchison paid HK$25 million with respect to the 3G license in Hong Kong.

As of June 30, 2003, approximately 100% of the license costs have been paid from cash on hand and cash generated from the sale of selected 2G assets during the period from 1999 to 2001 and contributions from minority shareholders.

In September 2003, Hutchison paid 62 million Norwegian Kroner for a 12 year license to operate a 3G network in Norway.

(iii) Purchases of Subsidiaries

In 2000, Hutchison incurred HK$1,466 million in acquiring subsidiary companies mainly in the retail, water delivery and port businesses. In 2001, Hutchison incurred HK$3,827 million in acquiring subsidiary companies mainly in the ports business. In 2002, Hutchison incurred HK$8,888 million mainly in acquiring the Kruidvat Group. There were no major acquisitions of subsidiaries in the six month period ended June 30, 2003.

Cash Flow from Financing Activities

Cash flow from financing activities consists mainly of new borrowings, repayment of borrowings and payment of dividends. Net cash inflow from financing activities was HK$40,458 million in 2000, HK$19,743 million in 2001, HK$29,016 million (US$3,720 million) in 2002 and HK$42,323 million (US$5,426 million) for the six month period ended June 30, 2003. Net cash inflow from financing activities decreased HK$20,715 million, or 51%, in 2001 mainly due to an increase in loan repayment during the year. Net cash inflow from financing activities increased HK$9,273 million, or 47%, in 2002 mainly due to a decrease in loan repayment during the year, partially offset by less new loans drawn down. Net cash inflow from financing activities increased HK$37,314 million, or 745% for the six month period ended June 30, 2003 compared to the same period last year due to increases in notes issuances and new loans drawn down.

Bank and Other Interest Bearing Borrowings

Hutchison's bank and other interest bearing borrowings amounted to HK$124,526 million as of December 31, 2000, HK$146,992 million as of December 31, 2001, HK$180,496 million (US$23,141 million) as of December 31, 2002 and HK$226,593 million (US$29,050 million) as of June 30, 2003. The increase in borrowings in 2001 was mainly due to the issuance of US$2,657 million exchangeable notes in January 2001 and US$1,500 million notes in February 2001. The increase in borrowings in 2002 was mainly due to increases in drawdowns by telecommunications-3G businesses and CKI. The increase in borrowings as of June 30, 2003 compared to June 30, 2002 was mainly due to the issuance of a total of US$3,500 million fixed rate guaranteed notes in February, April and May 2003 and an increase in loan drawndowns in the telecommunications-3G businesses.

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

- In July, Hutchison Whampoa Finance (03/13) Limited, a wholly owned indirect subsidiary of Hutchison, issued €1,000 million (approximately HK$8,940 million) of 5.875% notes due in 2013, guaranteed by Hutchison, the proceeds of which have been used to repay a portion of Hutchison's US$3,000 million in outstanding principal amount of exchangeable notes due in 2003. The balance of these funds will be used to repay a portion of the exchangeable notes due in 2004.

- In July, Hutchison International Finance (03/08) Limited, a wholly owned indirect subsidiary of Hutchison obtained a HK$3,800 million floating interest bank syndicated facility repayable in 2008, guaranteed by Hutchison, which was used to refinance a HK$4,400 million floating interest rate syndicated bank facility.

As of June 30, 2003, approximately 46% of Hutchison's total borrowings were denominated in US dollars, 18% in HK dollars, 13% in Pounds Sterling, 14% in Euro and the remaining 9% in other currencies. As of June 30, 2003, approximately 23% of Hutchison's borrowing, were repayable within one year, 39% were repayable between one and five years and 38% were repayable beyond five years. Finance costs on Hutchison's borrowings was HK$6,460 million in 2000, HK$6,952 million in 2001, HK$5,262 million (US$675 million) in 2002 and HK$3,662 million (US$469 million) for the six month period ended June 30, 2003.

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

As of December 31, 2000, total cash, liquid funds and other listed investments exceeded total borrowings by HK$50,295 million. Hutchison's borrowings, net of total cash, liquid funds and other listed investments were HK$1,656 million as of December 31, 2001, HK$50,229 million (US$6,441 million) as of December 31, 2002 and HK$61,483 million (US$7,882 million) as of June 30, 2003.

Security Interests

As of June 30, 2003, shares of Hutchison 3G UK and Hutchison 3G Italia owned by Hutchison were pledged as security for their respective project financing facilities. The assets of these two companies totaled HK$56,792 million as of December 31, 2001, HK$119,812 million as of December 31, 2002 and HK$151,162 million as of June 30, 2003. In addition, HK$7,272 million as of December 31, 2000, HK$14,988 million as of December 31, 2001, HK$22,238 million as of December 31, 2002 and HK$14,570 million as of June 30, 2003, of Hutchison's assets were pledged as security for bank and other loans of Hutchison.

Undrawn Borrowing Facilities

Committed borrowing facilities available to Hutchison, but not drawn were HK$6,554 million as of December 31, 2000, HK$28,195 million as of December 31, 2001, HK$58,573 million as of December 31, 2002 and HK$44,870 million as of June 30, 2003. Excluding the facilities available to 3G businesses, the committed borrowing facilities available to Hutchison but not drawn were HK$5,129 million as of December 31, 2000, HK$685 million as of December 2001 and HK$2,824 million as of December 31, 2002 and HK$3,614 million as of June 30, 2003.

Financial and Operational Covenants

Under the terms of the debt facilities, in line with the usual structure for project financing facilities, Hutchison 3G UK and Hutchison 3G Italia must comply with certain financial and operational covenants, including, among other things, the requirement to meet certain financial ratios and to achieve certain targets for minimum network coverage and number of installation sites acquired and commissioned.

Cash, Liquid Funds and Other Listed Investments

Hutchison's total cash, liquid funds and other listed investments ("Total Liquid Assets") amounted to HK$174,821 million as of December 31, 2000, HK$145,336 million as of December 31, 2001, HK$130,267 million (US$16,700 million) as of December 31, 2002 and HK$165,110 million (US$21,168 million) as of June 30, 2003. In 2000, 59% of Hutchison's total cash was investments in listed equity securities, which included investments in Vodafone and VoiceStream. In 2001, 46% of Hutchison's Total Liquid Assets were investments in listed equity securities, which included investments in Vodafone and Deutsche Telekom (part of the consideration for disposal of VoiceStream shares). In 2002, Hutchison's investment in listed equity securities as a percentage of Total Liquid Assets decreased to 27%, mainly due to partial disposal of Vodafone and Deutsche Telekom shares. As of June 30, 2003, Hutchison's investment in listed equity securities as a percentage of Total Liquid Assets decreased to 10%, mainly due to partial disposal of Vodafone and Deutsche Telekom shares. The reduction in Total Liquid Assets in 2001 reflected the decline in global stock market values that has adversely affected Hutchison's portfolio of listed equity investments, particularly the investments in Vodafone and Deutsche Telekom, which are marked to market value at each period end. The reduction in Total Liquid Assets in 2002 was due to the continued decline in global stock market values, and a decrease in cash, mainly as a result of increases in capital expenditures and acquisition activities. The increase in Total Liquid Assets as of June 30, 2003 compared to December 31, 2002 was mainly due to an increase in cash, a result of increases in notes issuances and new loans drawn down.

As of June 30, 2003, 6% of Hutchison's total cash were denominated in HK dollars, 69% in US dollars, 10% in Pounds Sterling, 12% in Euros and 3% in other currencies.

Off-Balance Sheet Arrangements

During 2001, Hutchison entered into forward sales contracts with major financial institutions to dispose of an aggregate of approximately 695 million shares of Vodafone at an average price of £1.75 per share. In addition, options were granted to the purchasers to acquire an additional approximately 258 million shares of Vodafone. The forward sales contracts and sale of options gave rise to a profit on disposal of HK$3,485 million in 2001. Hutchison also entered into similar forward sales contracts for an aggregate of approximately 89 million shares of Deutsche Telekom at an average price of €21.26 per share. In addition, options were granted to the purchasers to acquire an additional approximately 42 million shares of Deutsche Telekom. The forward sales contracts and sale of options with respect to Deutsche Telekom gave rise to a profit on disposal of HK$908 million in 2001. All the forward sales contracts entered into in 2001 matured in 2002 and a total cash consideration of HK$27,196 million (US$3,487 million) was received. As of June 30, 2003 Hutchison had outstanding the following forward sales contracts with major financial institutions, which mature later in the year. Hutchison entered into forward sales contracts to dispose of an aggregate of approximately 579 million shares of Vodafone at an average price of £1.29 per share. In addition, options were granted to the purchasers to acquire an additional approximately 262 million shares of Vodafone, which expired in 2003. Hutchison 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 to the purchasers to acquire an additional approximately 54 million shares of Deutsche Telekom, which expire later in 2003. The forward sales contracts, together with spot shares sales, gave rise to a profit on disposal of total HK$1,443 million and have been recorded as profits on disposal of investments in the six month period ended June 30, 2003. In accordance with Hutchison's treasury policy, Hutchison entered into currency forward sales contracts to sell, in 2002 and 2003, the consideration to be received in Pounds Sterling and Euros for US dollars.

Hutchison entered into various interest rate agreements with major financial institutions to swap approximately HK$31,550 million principal amount in 2001, HK$30,363 million principal amount in 2002 and HK$54,492 million principal amount in June 2003 of fixed rate borrowings to effectively become floating rate borrowings. In addition, principal amount of HK$4,320 million in 2001, HK$6,539 million in 2002 and HK$5,499 million principal amount in June 2003 of an infrastructure related, floating interest rate borrowing was swapped into a fixed interest rate borrowing.

Current and Long-Term Liabilities, Commitments and Contingent Liabilities

A summary of Hutchison's current and long-term liabilities as of December 31, 2002 and June 30, 2003 are set forth below. These obligations are reflected in Hutchison's consolidated balance sheet as of December 31, 2002 and in the respective notes 20, 22 and 26 to the consolidated financial statements and consolidated balance sheet as of June 30, 2003 and in the respective notes 10 and 11 to the interim consolidated financial statements.

Current and Long-Term Liabilities

	As of December 31, 2002 Payments Due By Period			
	Total	Less than 1 year	1 to 5 years	After 5 years
	(in millions)			
Bank loans, other loans, notes and bonds	HK$ 179,397	HK$ 37,828	HK$ 101,151	HK$ 40,418
Interest bearing loans from minority shareholders	1,099	—	14	1,085
Trade and other payables	45,601	45,601	—	—
Total	HK$ 226,097	HK$ 83,429	HK$ 101,165	HK$ 41,503

	As of June 30, 2003 Payments Due By Period			
	Total	Less than 1 year	1 to 5 years	After 5 years
	(in millions)			
Bank loans, other loans, notes and bonds	HK$ 221,884	HK$ 52,762	HK$ 87,547	HK$ 81,575
Interest bearing loans from minority shareholders	4,709	—	804	3,905
Trade and other payables	50,208	50,208	—	—
Total	HK$ 276,801	HK$ 102,970	HK$ 88,351	HK$ 85,480

The operating lease costs charged to the profit and loss account for the year ended December 31, 2002 are shown in note 4 to the consolidated financial statements. There have been no material changes in the operating lease costs charged to the profit and loss account since December 31, 2002. Hutchison's commitments for future payments pursuant to lease obligations signed as of December 31, 2002 are shown in note 31 to the consolidated financial statements and as of June 30, 2003 are summarized as follows:

Operating Lease Commitments

	As of December 31, 2002 Future aggregate minimum lease payments expiring			
Operating Lease Commitments	**Total**	**In the first year**	**In the second to fifth year**	**After the fifth year**
	(in millions)			
Land and Building				
- Telecommunications-3G	HK$ 9,981	HK$ 671	HK$ 2,360	HK$ 6,950
- Other operations	15,367	2,265	5,355	7,747
Other Assets				
- Telecommunications-3G	135	56	79	—
- Other operations, mainly retail stores	2,592	318	841	1,433
Total	HK$ 28,075	HK$ 3,310	HK$ 8,635	HK$ 16,130

	As of June 30, 2003 Future aggregate minimum lease payments expiring			
Operating Lease Commitments	**Total**	**In the first year**	**In the second to fifth year**	**After the fifth year**
	(in millions)			
Land and Building				
- Telecommunications-3G	HK$ 5,723	HK$ 525	HK$ 1,710	HK$ 3,488
- Other operations	20,105	2,909	8,487	8,709
Other Assets				
- Telecommunications-3G	237	88	148	1
- Other operations, mainly retail stores	2,617	356	988	1,273
Total	HK$ 28,682	HK$ 3,878	HK$ 11,333	HK$ 13,471

Hutchison's capital commitments are summarized below. Contracted for commitments represent amounts payable pursuant to agreements signed as of December 31, 2002 and June 30, 2003. Authorized but not contracted for amounts are derived from the annual budget process and are estimates of future capital expenditure which are subject to a rigorous authorization process before a contract is entered into.

Capital Commitments

Capital Commitments	As of December 31, 2002 Contracted for	Authorized but not contracted for
	(in millions)	
Container Terminals	HK$ 5,457	HK$ 7,251
Telecommunications-3G	19,970	20,692
Telecommunications-2G and others	2,540	6,125
Others	5,077	6,614
Total	HK$ 33,044	HK$ 40,682

Capital Commitments	As of June 30, 2003 Contracted for	Authorized but not contracted for
	(in millions)	
Container Terminals	HK$ 5,258	HK$ 5,527
Telecommunications-3G	14,831	26,155
Telecommunications-2G and others	1,960	7,360
Others	3,961	6,602
Total	HK$ 26,010	HK$ 45,644

Hutchison has provided guarantees as of December 31, 2002 as shown in note 30 to the consolidated financial statements and as of June 30, 2003 as shown in note 13 to the interim consolidated financial statements, which are summarized as follows:

Contingent Liabilities

	December 31, 2002 Total	June 30, 2003 Total
	(in millions)	(in millions)
Guarantees in respect of bank and other borrowing facilities for associated companies and jointly controlled entities	HK$ 11,696	HK$ 12,033
Guarantees related to contracts for the procurement of 3G handsets	14,116	13,842
Guarantees related to procurement of all 3G infrastructure	2,036	2,242
Other guarantees, mainly for performance on payments pursuant to contractual obligations	2,103	4,177
	HK$ 29,951	HK$ 32,294

Treasury Policy

Hutchison's overall treasury and funding policies focus on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding for Hutchison and its subsidiaries. For synergies, efficiency and control, Hutchison operates a central cash management system for all its unlisted subsidiaries in Hong Kong. Except for listed and certain overseas entities, Hutchison generally obtains long term financing at Hutchison level to on-lend to its subsidiaries and associates to meet their funding requirements. For overseas subsidiaries and associates and other investments which consist of non-HK and non-US dollar assets, Hutchison endeavors to hedge its foreign currency positions with the appropriate level of borrowings in those currencies. For the transactions directly related to the underlying businesses, forward foreign exchange contracts and interest and currency swaps are utilized when suitable opportunities arise and, when considered appropriate, to hedge against major non-HK and non-US dollar currency exposures as well as to assist in managing Hutchison's interest rate exposures. In addition, as part of Hutchison's treasury operations, forward sales contracts are utilized when suitable opportunities arise and when considered appropriate to dispose of treasury assets.

Foreign Currency and Interest Rate Management

Since October 17, 1983, the Hong Kong dollar has been officially linked to the US dollar. See "Exchange Rates". Hutchison matches, where practicable, Hutchison's assets located in other countries with the appropriate level of borrowings in those countries' currencies. To hedge against major non-HK and non-US dollar exposure as well as to assist in managing Hutchison's interest rate exposure, Hutchison utilizes forward foreign exchange contracts and interest and currency swaps when suitable opportunities arise and when Hutchison considers it appropriate. Hutchison currently does not have major non-HK dollar and non-US dollar currency balances nor exposures.

Inflation and Deflation

Hong Kong experienced periods of high inflation in the late 1980s and the 1990s. However, Hong Kong has recently, experienced deflation of -3.8% in 2000, -1.6% in 2001, -3.0% in 2002 and -3.1% in June 2003. The property and hotel division, and to a lesser extent the finance and investment division, have been most notably affected by the deflationary environment due to lower rental and property values and a decline in value of certain listed investments.

BUSINESS OF HUTCHISON

Overview

Hutchison Whampoa Limited, a company incorporated in Hong Kong on July 26, 1977, under no. 54532 in the Companies Registry with limited liability, is the holding company of the Hutchison group of companies. It is a Hong Kong-based multinational conglomerate whose securities are listed on the SEHK. Hutchison operates five core business divisions in 39 countries: ports and related services; telecommunications; property and hotels; retail and manufacturing; and infrastructure, energy, finance and investments. Significant developments in Hutchison's business since June 30, 2003 are summarized below under "Recent Developments".

The objects for which Hutchison is established are described in clause 3 of Hutchison's Memorandum of Association, copies of which are available as described under "General Information". Such objects include, among other things, carrying on business as an investment holding company and for that purpose, to invest the capital of Hutchison in the purchase of securities of any kind issued or guaranteed by any entity, and to use, sell, transfer or otherwise deal with or dispose of such securities.

Ports and Related Services

Hutchison is the world's largest privately-owned container terminal operator in terms of throughput handled. The ports and related services division holds interests in 32 ports in 15 countries, including interests in container terminals operating in five of the seven busiest container ports in the world, and handled combined container throughput of 35.8 million twenty foot equivalent units ("TEUs") in 2002 and 19.5 million TEUs in the six months ended June 30, 2003. The holdings of the division are its interests in various ports including:

- Hong Kong (the busiest container port in the world in 2002), where Hutchison operates thirteen of the nineteen available container berths through Hongkong International Terminals ("HIT") and COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), a joint venture between HIT and China Ocean Shipping (Group) Company;

- the Mainland, where Hutchison holds interests in Yantian International Container Terminals Limited ("YICT"), Shanghai Container Terminals and Shanghai Pudong International Container Terminals as well as other ports;

- the UK and Continental Europe, where Hutchison holds interests in the Port of Felixstowe (UK), Thamesport (UK), Harwich (UK) and Europe Container Terminals B.V. (the Netherlands) ("ECT");

- Indonesia, where Hutchison holds interests in Jakarta International Container Terminal ("JICT") and Koja Terminal;

- South Korea, where Hutchison currently operates two terminals in Busan Port and two terminals in Kwangyang Port through Hutchison Korea Terminals and Korea International Terminals;

- Mexico, where Hutchison holds interests in Internacional de Contenedores Asociados de Veracruz, which is located on the east coast as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast; and

- Saudi Arabia, where Hutchison holds interests in International Ports Services at Dammam.

The division also has interests in other ports and port development projects and interests in ship repair, salvage and towage operations in Hong Kong. The ports and related services division contributed 18.5% of Hutchison's turnover and 25.7% of Hutchison's EBIT in 2002, and 16.6% of Hutchison's turnover and 31.1% of Hutchison's EBIT in the six months ended June 30, 2003.

Telecommunications

Hutchison is a leading worldwide competitor in mobile telecommunications. The telecommunications division is composed of the 2G and other operations and the 3G businesses.

The 2G and others operations:

- operate second generation ("2G") Global System for Mobile Communications ("GSM") and Code Division Multiple Access ("CDMA") mobile telecommunications networks in Hong Kong, Israel, India and certain other countries, with a global 2G subscriber base of over 7.1 million as of August 2003;

- in Thailand, provide mobile broadband services using the CDMA-1X in central Thailand under a 15 year concession;

- provide fixed line services on its fiber optic fixed line network in Hong Kong through Hutchison Global Communications Limited ("Hutchison Global Communications"), participate in e-commerce businesses with various strategic partners and hold a 24.7% interest in TOM.COM Limited ("TOM.COM"), a leading Chinese-language media group, which is listed on the Growth Enterprise Market ("GEM") of the SEHK.

The 3G businesses:

- are developing third generation ("3G") mobile telecommunications operations in Hong Kong, the UK, Ireland, Italy, Sweden, Norway, Denmark, Austria, Israel and Australia. Hutchison has commenced 3G operations in the UK, Italy, Sweden, Austria and Australia, and Hutchison was the first-to-market operator in these countries.

  — In the UK and Italy, Hutchison has commenced 3G operations. The UK network currently covers 72% of the population with over 4,900 cell sites and approximately 99% of the population via a national roaming agreement with O_2 (UK) Limited (formerly known as BT Cellnet Limited). As of the end of August 2003, UK had approximately 155,000 subscribers. In Italy, the network now covers over 50% of the population with over 3,600 cell sites and approximately 100% of the population via a roaming agreement with TIM S.p.A. As of the end of August 2003, Italy had approximately 300,000 subscribers;

  — In Australia, the 3G operation announced the initial offering of services in Sydney and Melbourne from mid-April 2003 and services expanded to Brisbane, Adelaide and Perth in July 2003. The network now covers approximately 64% of the population of its license area with over 1,600 cell sites and approximately 92% of the nationwide population via a 2G roaming agreement with Vodafone. As of the end of August 2003, Australia had approximately 50,000 subscribers;

  — In Austria, offering of service commenced in May 2003 and the 3G network now covers over 35% of the population with over 780 cell sites and approximately 98% of the population via a 2G roaming agreement with Mobilkom;

  — Hutchison's Scandinavian 3G operations in Sweden and Denmark share some common infrastructure and are managed out of HI3G Access in Sweden. In September 2003, HI3G Access Norway, a wholly owned subsidiary of HI3G Access, was awarded a license to offer 3G services in Norway. HI3G Access has commenced operations in Sweden and currently the network covers most of the major cities. In Denmark, HI3G Denmark commenced a limited service in October 2003 and is expected to roll out further services in 2004;

  — Hutchison's 3G businesses are planning to commence services in Hong Kong later in 2003 or early 2004; and

The telecommunications division contributed 12.0% of Hutchison's turnover and (4.3)% of Hutchison's EBIT in 2002, and 11.1% of Hutchison's turnover and (32.8)% of Hutchison's EBIT in the six months ended June 30, 2003.

Property and Hotels

Hutchison's property and hotels division:

- holds a rental portfolio of office, commercial, industrial and residential space principally in Hong Kong and the Mainland. As of June 30, 2003, the portfolio comprised approximately 15.7 million square feet, the leasing of which accounted for the majority of the division's turnover and EBIT;

- manages investment properties and development activities for Hutchison and certain of its associated companies and jointly controlled entities;

- acts as a developer of residential, commercial, office, hotel and recreational projects, principally in Hong Kong and the Mainland; and

- owns and operates hotels in Hong Kong, the Mainland and the Bahamas.

The property and hotels division contributed 10.5% of Hutchison's turnover and 10.0% of Hutchison's EBIT in 2002, and 5.0% of Hutchison's turnover and 9.4% of Hutchison's EBIT in the six months ended June 30, 2003.

Retail and Manufacturing

Hutchison's retail and manufacturing division holds interests in:

- AS Watson & Company, Limited ("AS Watson"), one of the world's largest health and beauty retail chains in terms of store numbers, and also operates major chains of supermarkets and consumer electrical goods stores. In October 2002, AS Watson acquired the Kruidvat Group, one of Europe's leading health and beauty retail businesses with a store portfolio of 1,900 outlets operating under five retail chains in six European countries. Including Kruidvat, AS Watson currently has over 3,300 stores in Europe, in the PRC and in several other countries in South East Asia. AS Watson also manufactures and distributes water and beverage products in Hong Kong and in the Mainland;

- Hutchison China, which operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK; and

- 62% of Hutchison Harbour Ring Limited ("HHR"), a listed company in Hong Kong that engages in the manufacturing and trading of hard, soft and electronic toys, and high quality consumer electronic products and accessories. HHR also holds some investment properties in the Mainland.

The retail and manufacturing division contributed 35.5% of Hutchison's turnover and 4.0% of Hutchison's EBIT in 2002, and 44.6% of Hutchison's turnover and 5.3% of Hutchison's EBIT in the six months ended June 30, 2003.

Infrastructure, Energy, Finance and Investments

Cheung Kong Infrastructure

Hutchison has an 84.6% interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), the largest publicly listed infrastructure company in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, Australia and the Mainland. CKI's major interests are:

- a 38.9% interest in Hongkong Electric Holdings Limited ("Hongkong Electric Holdings"), a listed company in Hong Kong that, through a wholly owned subsidiary, generates, transmits, distributes, and is the sole provider of, electricity to Hong Kong Island and Lamma Island in Hong Kong;

- combined with interests of Hongkong Electric Holdings, 100% interests in joint investments, held on a 50/50 basis, in ETSA Utilities, the sole electricity distributor in the State of South Australia, in Powercor Australia Limited ("Powercor"), the largest electricity distributor in the State of Victoria, and in CitiPower I Pty Ltd. ("CitiPower"), another major electricity distributor in the state of Victoria. CKI and Hongkong Electric Holdings together have become the largest electricity distributor in Australia. CKI also owns a 19% stake in Envestra Limited ("Envestra"), the largest listed natural gas distribution company in Australia;
- a power generating portfolio with over 1,800 MW of gross capacity in the Mainland;
- an infrastructure materials business that produces cement, concrete, asphalt and aggregates in Hong Kong and the Mainland. CKI also has interests in joint ventures that own and operate approximately 480 km of toll roads and bridges in the Mainland and a cross-harbor rail tunnel in Hong Kong; and
- a contract to construct the Cross City Tunnel in Sydney, Australia, which will connect Sydney's eastern suburbs with the western side of the city, which contract is held through a consortium led by CKI.

CKI contributed 9.6% of Hutchison's turnover and 19.3% of Hutchison's EBIT in 2002, and 8.2% of Hutchison's turnover and 22.3% of Hutchison's EBIT in the six months ended June 30, 2003.

Husky Energy

Hutchison holds a 35.0% interest in Husky Energy Inc. ("Husky Energy"), an integrated energy and energy-related company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration for and development and production of crude oil, natural gas liquids and natural gas in western Canada, offshore the Canadian east coast, offshore South China and, to a limited extent, other international areas;
- the midstream segment comprising upgrading operations, oil and gas marketing operations, pipeline transportation and processing of heavy crude oil, cogeneration of electrical and thermal energy and storage of crude oil and natural gas; and
- the refined products segment, which includes the refining of crude oil and marketing of refined petroleum products, including gasoline, alternative fuels and asphalt.

Husky Energy contributed 10.1% of Hutchison's turnover and 8.1% of Hutchison's EBIT in 2002, and 11.5% of Hutchison's turnover and 18.1% of Hutchison's EBIT in the six months ended June 30, 2003.

Finance and Investments

Hutchison also receives substantial income from its finance and investments division. The division is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments and its contribution increased following Hutchison's receipt of consideration generated from the sales of certain 2G telecommunications assets in 1999 and 2000. The finance and investments division contributed 3.8% of Hutchison's turnover and 24.0% of Hutchison's EBIT in 2002, and 3.0% of Hutchison's turnover and 29.6% of Hutchison's EBIT in the six months ended June 30, 2003.

The following chart illustrates the main activities of Hutchison and its associates and jointly controlled entities

Hutchison Whampoa Limited

Ports and Related Services

Hong Kong
- HIT Terminals 4, 6, 7 and 9 [1]
- COSCO-HIT Terminal 8 East
- River Trade Terminal
- LINE

The Mainland
- Yantian International Container Terminals
- Shanghai Container Terminals
- Shanghai Pudong International Container Terminals
- Ningbo Beilun International Container Terminal
- Shantou International Container Terminals
- Xiamen International Container Terminals
- Delta ports
  - Guangdong province – Jiuzhou, Gaolan, Nanhai and Jiangmen

United Kingdom and Continental Europe
- Port of Felixstowe (UK)
- Thamesport (UK)
- Harwich (UK)
- Europe Container Terminals (Netherlands)

Asia, Middle East and Africa
- Jakarta International Container Terminals (Indonesia)
- Koja Terminal (Indonesia)
- Kelang Multi Terminal (Malaysia)
- Korea International Terminals (South Korea)
- Hutchison Korea Terminals (South Korea)
- Thai Laemchabang Terminal (Thailand)
- International Port Services (Saudi Arabia)
- Karachi International Container Terminal (Pakistan)
- Tanzania International Container Terminal (Tanzania)
- Port Facility at Thilawa (Myanmar)

Americas and Carribean
- Panama Ports Company (Panama)
- Buenos Aires Container Terminal (Argentina)
- Internacional de Contenedores Asociados de Veracruz (Mexico)
- LC Terminal Portuaria de Contenedores S.A. de C.V. (Mexico)
- Terminal Internacional de Manzanillo (Mexico)
- Ensenada International Terminal (Mexico)
- Freeport Container Port Limited (Bahamas)

Related Services
- Hong Kong
  - Mid-Stream operations
  - Ship repairing, salvage and towage
- The Mainland
  - Inland container depot
- Grand Bahama Island
  - Freeport Harbour
  - Freeport Airport
- Mexico
  - Ensenada Cruiseport Village

Telecommunications

Hong Kong
- Cellular network operator (GSM and CDMA)
- Fixed line network operator
- Internet service provider
- 3G Network under construction [2]

Macau
- Cellular network operator (GSM)

United Kingdom
- 3G Network operator
- Fiber optic network operator

Ireland
- 3G Network in planning

Italy
- 3G Network operator

Austria
- 3G Network operator

Sweden
- 3G Network operator

Denmark
- 3G Network operator

Norway
- 3G Network in planning

Israel
- Cellular network operator (GSM)
- 3G Network in planning

Ghana
- Cellular network operator (AMPS)

Paraguay
- Cellular network operator (GSM)

Argentina
- Wireless network operator (GSM)

Australia
- 3G network operator
- Cellular network operator (CDMA)
- Paging network operator

India
- Cellular network operator (GSM)

Thailand
- Cellular service provider (CDMA-1X)

Sri Lanka
- Cellular network operator (analog and GSM)

Property and Hotels

Hong Kong
- Rental property
  - Office
  - Commercial
  - Industrial
  - Residential
- Development property
  - Residential
  - Commercial
- Hotels

The Mainland
- Rental property
  - Office
  - Commercial
  - Residential
- Development property
  - Residential
  - Commercial
  - Office
- Hotels

United Kingdom
- Development property
  - Commercial
  - Residential

Japan
- Rental property
  - Office

Singapore
- Development property
  - Residential

Bahamas
- Resort
- Development property
  - Industrial
  - Residential

Retail and manufacturing

Hong Kong
- PARKnSHOP (supermarket chain)
- Watson's Wine Cellar (wine retail chain)
- Watsons (personal care stores chain)
- Fortress (consumer electrical goods chain)
- Airport retail concessions
- Manufacturing and trading of toys and consumer electronic products
- Manufacturing and distribution of water, soft drinks and fruit juices

The Mainland
- PARKnSHOP (supermarket chain)
- Watsons (personal care stores chain)
- Manufacturing and distribution of water, soft drinks and fruit juices
- Procter & Gamble – Hutchison
- Manufacturing and trading of toys and electronic products
- Traditional Chinese medicine research and development

Taiwan
- Watsons (personal care stores chain)
- Fortress (consumer electrical goods chain)

Singapore
- Watsons (personal care stores chain)
- Airport retail concessions

Malaysia
- Watsons (personal care stores chain)

Macau
- Watsons (personal care stores chain)

Thailand
- Watsons (personal care stores chain)

Philippines
- Watsons (personal care stores chain)

United Kingdom and Continental Europe
- Savers, Superdrug, Kruidvat, Trekpleister and Rossmann (50%JV) (health and beauty store chains)
- ICI Paris XL (perfumery stores chain)
- Badaracco (wine wholesaler/distributor)
- Sen (retail and distribution of traditional Chinese medicine related products)

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(1) HIT has the right to develop, own and operate two berths at Container Terminal 9.
(2) Expected to commence operations in 2003/2004.

Hutchison was established on July 26, 1977 as the result of the merger between Hutchison International Limited and Hongkong and Whampoa Dock Company, Limited. Hongkong and Whampoa Dock Company, Limited, incorporated in 1866, was the first company to be registered in Hong Kong. Hutchison became a publicly listed company in 1978. Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") became a major shareholder of Hutchison in 1979 and Mr. Li Ka-shing, the Chairman of Cheung Kong Holdings, became the Chairman of Hutchison in 1981. Cheung Kong Holdings (through its subsidiaries) owns approximately 49.97% of Hutchison's issued share capital and is the largest shareholder. Hutchison and Cheung Kong Holdings have certain common directors and cooperate primarily on major property development projects in Hong Kong, the Mainland and the UK.

Based on the closing price of its shares on the SEHK on November 18, 2003, Hutchison had a market capitalization of approximately HK$237,683 million, the third largest market capitalization on the SEHK. Hutchison, CKI and Hongkong Electric Holdings are three of the 33 constituent stocks of the Hang Seng Index in Hong Kong.

As of October 24, 2003, the total consolidated short-term debt and capitalization of Hutchison was HK$457,376 million. For the years ended December 31, 2000, 2001 and 2002, and the six months ended June 30, 2003, Hutchison's profit attributable to shareholders was HK$34,200 million, HK$11,972 million and HK$14,362 million and HK$6,067 million, respectively. See "Capitalization of Hutchison" and "Selected Consolidated Financial Information of Hutchison".

Hutchison's registered office is located at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

Recent Developments

The following significant developments have taken place subsequent to June 30, 2003:

In July 2003, Hutchison Whampoa Finance (03/13) Limited, a wholly owned indirect subsidiary of Hutchison, issued €1,000 million (approximately HK$8,940 million) of 5.875% notes due in 2013, guaranteed by Hutchison, the proceeds of which have been used to repay a portion of Hutchison's US$3,000 million in outstanding principal amount of exchangeable notes due in 2003. The balance of these funds will be used to repay a portion of the exchangeable notes due in 2004.

In July 2003, Hutchison International Finance (03/08) Limited, a wholly owned indirect subsidiary of Hutchison obtained a HK$3,800 million floating interest bank syndicated facility repayable in 2008, guaranteed by Hutchison, which was used to refinance a HK$4,400 million floating interest rate syndicated bank facility.

In September 2003, HI3G Access Norway, a wholly owned subsidiary of HI3G Access was awarded a license to offer 3G services in Norway.

In October 2003, Husky Energy released its unaudited results for the third quarter of 2003, with reported net earnings of C$243 million (C$0.54 per share, diluted) compared with C$173 million (C$0.38 per share, diluted) in the third quarter of 2002. Cash flow from operations was C$604 million (C$1.42 per share, diluted), up from C$590 million (C$1.39 per share, diluted) in the third quarter of 2002. Production in the third quarter of 2003 was 300,200 barrels of oil equivalent per day, a 2% decrease over the third quarter of 2002.

In October 2003, Hutchison's 2G interest in Israel, Partner Communications, released its earnings for the third quarter of 2003. Partner Communications reported revenue of NIS1,196 million (US$269 million), an increase of 12% compared with NIS1,071 million in the third quarter of 2002. EBITDA for the third quarter of 2003 was NIS393 million (US$88 million), an increase of 35% compared with NIS292 million in the third quarter of 2002. Operating profit for the third quarter of 2003 was NIS267 million (US$60 million), an increase of 64% compared with NIS162 million in the third quarter of 2002. Net income for the third quarter of 2003 was NIS169 million (US$38 million), a 229% increase from NIS51 million in the third quarter of 2002. The number of active subscribers at the end of the third quarter reached 2,032,000, an increase of 16% compared to 1,758,000 at the end of the third quarter of 2002. Market share increased to an estimated 30% in the third quarter of 2003 compared to 28% at the end of the third quarter of 2002.

In June 2003, Hutchison instituted a court proceeding in the UK against KPN with respect to a dispute regarding KPN's alleged breach of a shareholders' agreement. In July 2003, KPN presented a petition to the UK court alleging that Hutchison's conduct had been unfairly prejudicial to the interests of KPN under this shareholders' agreement. All court proceedings relating to both disputes were settled on November 7, 2003. Pursuant to the settlement agreements, Hutchison agreed to purchase KPN's 15% interest in Hutchison 3G UK for an aggregate of £90 million, with £60 million paid on November 7, 2003 and the remainder payable in three equal installments plus interest ending on December 31, 2007. KPN's shares in Hutchison 3G UK will be held in escrow until title to the shares passes to Hutchison upon full payment of the aggregate purchase price. Hutchison has the right to accelerate payment at its option. As part of the settlement, KPN's rights and obligations under the shareholders' agreement were terminated and all of KPN's nominated directors resigned from the board of Hutchison 3G UK as of November 7, 2003. See "Business — Legal Proceedings — Settlement of KPN Mobile N.V. Litigation".

Business Strategy

Hutchison's overall business strategy is to focus on and continue to expand its core businesses and its market share in all markets in which it operates. Hutchison currently maintains a significant market share in each of its core businesses in Hong Kong. Hutchison also looks to diversify into other markets where it can successfully export its expertise or leverage its competitive advantages in such markets. As a result, Hutchison has built up significant operations in Hong Kong and overseas in several sectors, including ownership and operation of container terminals, ownership and management of wireless telecommunications networks, property holdings and development, management of retail store chains, manufacturing of drinking water and other beverages, manufacturing of toys and high quality consumer electronic products and infrastructure and energy businesses. In the past, Hutchison's expansion outside Hong Kong has been focused primarily on the markets where it can take advantage of experience, expertise and economies of scale from its Hong Kong businesses. Hutchison has recently taken advantage of these opportunities in other locations in certain of its core businesses, in particular its ports, telecommunications, retail and manufacturing, oil and gas and infrastructure businesses. Hutchison expects to continue to expand in Hong Kong, the Mainland and overseas.

Hutchison also seeks to establish a strong and diversified local presence in each overseas market in which it operates. Most of Hutchison's overseas interests are direct investments in which it is actively involved and significantly influences the management of operations.

Hutchison's divisions have the following specific business strategies:

- The ports and related services division plans to continue to optimize the performance of its existing port operations and to continue to grow and expand its existing position as a leading global competitor in container terminal operations. Hutchison plans to pursue selective expansion opportunities in its existing port locations to maintain market share and to expand into new markets elsewhere around the world. Hutchison seeks to maximize the efficiencies among its global port operations as well as to improve the operating results of the ports it acquires by upgrading existing infrastructure, management systems and management skills based on its successful existing operations. Hutchison also seeks to maintain an overall earnings yield consistent with prior years and generate significant earnings growth.

- The telecommunications division plans to strengthen its position as one of the leading operators in the global mobile communications business while maintaining a prudent financial position. In Hong Kong, Hutchison is using its multiple 2G networks to offer multiband communications that provide for enhanced reception and roaming capabilities. In markets such as Hong Kong, Australia and Israel where it has established 2G operations, Hutchison plans to use its position as a platform for developing 3G integrated telecommunications services. In Europe, Hutchison intends to use its substantial cash and liquid asset reserves and project financing to develop the 3G wireless telecommunications market with strategic partners and to build and operate 3G networks in certain European countries. Similarly, Hutchison intends to capitalize on its experience as a network operator to compete for and capture attractive growth opportunities, on a selective basis, in less developed mobile telecommunications markets globally.

- The property and hotels division plans to continue to own and manage its current rental property portfolio and, where appropriate, retain the office buildings and major commercial areas of its property development projects as long-term holdings in order to increase its base of recurrent income. The division seeks to replenish its landbank during periods when it believes that there has been a downturn in land prices and is currently focusing on opportunities in the Mainland and continues to seek attractive investment and development opportunities elsewhere on a selective basis.

- The retail and manufacturing division plans to continue to build on its existing base in Hong Kong and to expand internationally through a policy of carefully managed growth, while tightly controlling costs. Hutchison believes that it can use the retail and manufacturing expertise it has gained in Hong Kong, the Mainland and Asia to expand and grow its retail and manufacturing operations in Europe, the Mainland and elsewhere in Asia.

- CKI's primary focus is to seek further opportunities to invest in infrastructure projects overseas as well as in Hong Kong and the Mainland. Hutchison believes Hongkong Electric Holdings is well-positioned for expansion by increasing its generating capacity to keep pace with Hong Kong's growth and development, and also by investing in projects outside Hong Kong.

- Husky Energy plans to further develop its upstream, midstream and refined products businesses. Husky Energy aims to increase its proven reserves, delineate and develop its offshore Canadian east coast, offshore South China resources and its oil sands properties, expand and optimize its midstream operations, especially in heavy oil upgrading and pipeline activities and grow its refined products business.

Ports and Related Services

Hutchison is the world's largest privately-owned container terminal operator in terms of throughput handled. The ports and related services division has interests in container terminals operating in five of the seven largest ports in the world: those ports being Hong Kong; Busan, South Korea; Shanghai, PRC; Shenzhen, PRC; and Rotterdam, the Netherlands. The division handled combined container throughput of 35.8 million and 19.5 million TEUs in 2002 and in the first six months of 2003. Hutchison has interests in 32 ports in 15 countries, including Hong Kong and the Mainland, the UK, the Netherlands, Indonesia, Malaysia, South Korea, Thailand, Saudi Arabia, Pakistan, Tanzania, Myanmar, Panama, the Bahamas, Mexico and Argentina. Hutchison also has interests in midstream container handling operations, ship repair, salvage and towing operations in Hong Kong and inland container depot operations in the Mainland.

Hong Kong was the busiest container port in the world in 2002 with throughput of approximately 19.1 million TEUs. Hutchison operates thirteen of the nineteen available container berths in Hong Kong through HIT and COSCO-HIT, a 50/50 joint venture between HIT and China Ocean Shipping (Group) Company. Hutchison has a long history in the ports business and related services business in Hong Kong.

In response to an increasing trade volume to and from the Mainland, Hutchison has significantly expanded its Mainland port operations in the past few years. Hutchison holds interests in a number of ports in the Mainland, including Yantian, Shanghai, Ningbo and Delta Ports.

In Europe, Hutchison has interests in container terminals in the UK and the Netherlands. Hutchison owns and operates Felixstowe, the largest container facility in the UK. Hutchison also acquired Thamesport and Harwich ports in the UK in early 1998. In November 1999 and December 2001, Hutchison acquired an effective equity interest of 31.5% and 44% respectively in ECT in Rotterdam. ECT is one of the largest container operators in Europe and the acquisition represents Hutchison's first container terminal investment in continental Europe. ECT had throughput of 3.5 million TEUs in 2002.

The market for ports and related services is dependent on a variety of factors. The geographic location of each port is important to its traffic flow. Ports in Hong Kong benefit from its strategic location in the center of the developing economies of Asia. A terminal operator must also have sufficient capacity to meet the demands of its customers. HIT and COSCO-HIT together have the largest number of berths at Kwai Chung. In addition, through its interests in Yantian, Shanghai, Ningbo and Delta Ports, Hutchison has the largest private container terminal operation in the Mainland. Through its European operations, Hutchison is positioned as one of the market leaders in container terminal operations with businesses in the UK and the Netherlands. Hutchison also has the largest container terminal operation in Indonesia, two terminals in Busan Port in South Korea, the world's third largest container port, and two terminals in Kwangyang Port, South Korea's second largest deep-water port. In June 2001, Hutchison further expanded its global network by acquiring interests in eight port operations through investments in Mexico, Argentina, Saudi Arabia, Pakistan, Tanzania and Thailand. These port holdings consist of 23 container and general cargo berths. Shipping customers focus on turnaround time at ports in order to minimize the amount of time their ships spend at ports. Hutchison utilizes the latest technology and management systems in all of its port operations in order to maximize turnaround performance.

The following tables sets out the container throughput by type of shipment and geographic location, respectively of the portfolio of ports operated by Hutchison's subsidiaries and associated companies and jointly controlled entities.

Container Throughput — Hutchison

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs[1] (in thousands of TEUs)					
Local	21,361.1	22,343.7	29,866.5	13,288.5	16,283.4
Transshipment	3,990.9	4,683.1	5,929.7	3,060.5	3,243.9
Total	25,352.0	27,026.8	35,796.2	16,349.0	19,527.3
Hong Kong	8,828.3	8,723.1	10,459.0	4,824.0	5,264.2
Mainland China	5,876.8	6,271.7	9,281.6	4,018.6	5,793.6
UK and Continental Europe	7,799.7	6,769.4	6,712.0	3,239.6	3,248.5
Asia, Middle East and Africa	2,150.1	3,926.7	7,240.9	3,352.9	4,001.7
Americas and Caribbean	697.1	1,335.9	2,102.7	913.9	1,219.3
Total	25,352.0	27,026.8	35,796.2	16,349.0	19,527.3

(1) The published statistics from the Hong Kong Marine Department for the total of local and transshipment throughput incorporate liftings to or from ocean going vessels and containers received from or delivered to ports located within the river trade zone (as defined by the Hong Kong Marine Department) by water-borne traffic. The published statistics are not directly comparable to throughput figures of HIT and COSCO-HIT shown above for Hong Kong, which exclude this water-borne traffic, in order to be consistent with the treatment of containers transported to or from locations within the river trade zone by trucks.

Ports in Hong Kong

Hongkong International Terminals Limited

Hutchison holds an 86.5% interest in HIT, a company established in 1974 that is the foundation on which Hutchison's ports and related services division has been built. HIT's scope of operations in Hong Kong, the busiest port in the world in terms of throughput in 2002, includes the loading and unloading of containers to and from container vessels, the storage of containers and cargoes and the handling of containers within the container terminal premises. HIT now operates eleven berths at its four terminals at Kwai Chung. In addition, HIT's 50% joint venture, COSCO-HIT, operates a two-berth terminal at Kwai Chung. In the six months ended June 30, 2003, approximately 3.0 million TEUs passed through the 12 berths operated by HIT and COSCO-HIT, an increase of 1% over the same period last year. HIT and COSCO-HIT occupy approximately 141 hectares of terminal space which is held under leases granted by the Hong Kong government expiring in 2047. Historically, the Hong Kong government has controlled the amount of land used for container terminals.

The following table summarizes HIT's container throughputs for the periods indicated.

Container Throughput — HIT

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs (in thousands of TEUs)					
Local	4,244.4	3,977.7	4,102.5	1,919.6	1,825.9
Transshipment	1,063.7	980.8	1,085.1	495.7	596.0
Total	5,308.1	4,958.5	5,187.6	2,415.3	2,421.9

The overseas destinations or origins of throughput handled by HIT in the six months ended June 30, 2003 were as follows:

HIT Container Throughput — Overseas Destinations/Origins

Destination/Origin	Approximate Percentage
Intra-Asia	42
North America	33
Europe	19
Others	6
Total	100

HIT's dominant market share is attributable to its large number of berths and the emphasis on the quality of service it provides to its customers. The operations of HIT are designed to meet its customers' needs. HIT operates 24 hours a day, every day of the year. HIT's employees have significant experience in the operations of container terminals and are continuously trained to maintain and improve their level of professional expertise. HIT's contracts with customers range from one to ten years. HIT's and COSCO-HIT's major customers include significant shipping lines such as American President Lines, COSCO Container Lines Company Limited, China Shipping Container Lines Company Limited, CMA CGM "The French Line", Evergreen Marine Corporation (Taiwan) Limited, Hyundai Merchant Marine Company Limited, Kawasaki Kisen Kaisha Limited, Mitsui OSK Lines Limited, Wan Hai Lines Limited and Yang Ming Lines Limited.

In December 1998, the Hong Kong government granted land at Tsing Yi to a consortium of HIT, Modern Terminals Limited ("Modern Terminals") and Asia Container Terminals Limited ("Asia Container Terminals") to build Container Terminal 9 ("CT9"), a six-berth container terminal with a designed annual capacity of 2.6 million TEUs upon completion. HIT took delivery of the first berth of CT9 in July 2003 with the second berth expected to begin operations in early 2005. HIT has received the right to operate two berths. Modern Terminals has received the right to operate the remaining four berths and Asia Container Terminals is to acquire Modern Terminals' two berths at Container Terminal 8 West. Under the terms of the development rights granted to HIT, Modern Terminals and Asia Container Terminals, each company is jointly and severally responsible for the combined development projects. Consequently, HIT may, if either or both of Modern Terminals and Asia Container Terminals default on their development obligations, be required to expend additional amounts in respect of the development of CT9. In such a circumstance, HIT would be able to pursue action against such defaulting developers' percentage interests in the project pursuant to a charge all developers have issued on each other's interests, as well as other legal remedies for damages. HIT will consider participating in any future development of container terminals to maintain or increase its market share of the port services in Hong Kong.

River Trade Terminal

Hutchison increased its equity interest in River Trade Terminal Company Limited ("RTT") during the first quarter of 2003 from 33% to 38%, and then from 38% to 43% in June 2003. RTT operates a 65-hectare river trade terminal at Tuen Mun, Hong Kong. The first phase of the terminal commenced operations in October 1998 and the main facilities were fully completed by the end of 1999. As a newly constructed facility, River Trade Terminal's throughput has gradually increased to 1.1 million TEUs in the first six months of 2003, a 31% increase from the same period of 2002.

Ports in the Mainland

Yantian Port

Hutchison has a 48% interest in YICT, which owns and manages Phases I and II of Yantian Port, the first deep-water port in the southern Mainland. Yantian Port is located in Da Peng Bay, three km from the Hong Kong border, and opened in 1994. Yantian Port handled throughput of approximately 2.3 million TEUs in the first six months of 2003, a 30% increase from the same period of 2002. Phase II of its development was completed in December 1999 and Phases I and II of Yantian Port provides 118 hectares of yard space, six container berths and three general cargo berths with an annual designed handling capacity of 3.0 million TEUs. Yantian Port has a direct rail link to a railway serving the two southern Mainland cities of Shenzhen and Guangzhou and to a road network connecting to Hong Kong and the southern Mainland. Yantian Port was a pilot port in the Mainland to implement international customs procedures in the transshipment of cargo.

The following table summarizes YICT container throughputs for the periods indicated.

YICT Container Throughput

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs (in thousands of TEUs)					
Local	2,147.5	2,752.3	4,181.5	1,773.1	2,312.3
Transshipment	—	—	—	—	—
Total	2,147.5	2,752.3	4,181.5	1,773.1	2,312.3

The overseas destinations or origins of throughput handled by YICT in the six months ended June 30, 2003 were as follows:

YICT Container Throughput — Overseas Destinations/Origins

Destination/Origin	Approximate Percentage
North America	68
Intra-Asia	11
Europe	21
Total	100

In December 2002, Hutchison formed a joint venture company, Yantian International Container Terminals (Phase III) Limited, in which it holds a 42.7% interest, to develop terminal facilities at Phase IIIA of Yantian Port. The new terminal, adjacent to the existing Phases I and II facilities, comprises four container berths with an annual designed handling capacity of 2.0 million TEUs. The first berth commenced operations in October 2003.

Shanghai Container Terminals Limited

Hutchison owns a 37% equity interest in Shanghai Container Terminals Limited ("SCT"), which is a joint venture formed in December 1992 with the Shanghai Port Authority. Shanghai was the fourth busiest port in the world in terms of throughput in 2002. Operations under the joint venture structure started in August 1993. SCT operates three terminals at Zhanghuabang, Jungonglu and Baoshan, comprising ten container berths. Hutchison provides senior personnel, expertise and technology for the management of the terminals. Hutchison also assisted in the conversion and upgrading of general cargo berths to new container berths, which raised SCT's annual handling capacity to more than 3 million TEUs. SCT handled throughput of 1.6 million TEUs in the first six months of 2003, a 20% increase from the first half of 2002. SCT has been granted a right of first refusal to develop Shanghai's future container terminals in the Pudong area of Shanghai to accommodate the anticipated greater volume of trade and increased usage by customers. SCT has completed upgrading its existing 640-meter quay at Baoshan Terminal which is currently capable of accommodating 4th and 5th generation vessels.

The following table summarizes container throughput of SCT for the periods indicated.

SCT Container Throughput

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs (in thousands of TEUs)					
Local	2,309.5	2,164.6	2,535.7	1,095.9	1,331.8
Transshipment	641.2	445.9	499.6	229.8	259.3
Total	2,950.7	2,610.5	3,035.3	1,325.7	1,591.1

The overseas destinations or origins of throughput handled by SCT in the first six months of 2003 were as follows:

SCT Container Throughput — Overseas Destinations/Origins

Destination/Origin	Approximate Percentage
Japan	42
Southeast Asia	20
South Korea	13
North America	6
Taiwan	9
Other (mainly, Middle East and Australia)	10
Total	100

Shanghai Pudong International Container Terminals

In January 2003, Hutchison, Shanghai Waigaoqiao Free Trade Zone Stevedoring Co. and other investors incorporated a joint venture company, Shanghai Pudong International Container Terminals Limited ("SPICT"). In March 2003, SPICT commenced business as the operator of Phase I of the Waigaoqiao terminal. The joint venture company handled 636,000 TEUs in the first four months of operation.

Ningbo Beilun International Container Terminals Limited

In June 2001, Hutchison signed an agreement with the Ningbo Port Authority to jointly operate and develop Ningbo Beilun Port Phase II. The joint venture company commenced operations in January 2002. Ningbo Beilun Port is a natural deep-water port. Phase II, situated on 75.6 hectares of land, is equipped with three container berths, a quay length of 900 meters and depth alongside of 13.5 meters. The joint venture company handled 634,000 TEUs in the first six months of 2003, an increase of 46% over the same period of 2002.

Hutchison Delta Ports Limited

Hutchison Delta Ports Limited ("Delta Ports"), a wholly owned subsidiary of Hutchison, was formed in September 1994 to hold and manage all of Hutchison's existing interests in river and coastal ports in the Mainland and to invest in, develop and operate new river and coastal ports in the Mainland in conjunction with local government entities as its joint venture partners. Delta Ports currently operates and manages joint venture facilities in Jiuzhou, Gaolan, Nanhai, Jiangmen, Shantou and Xiamen. Except for Shantou and Xiamen, these joint venture facilities are 50% owned by Delta Ports. The Shantou port is 70% owned by Delta Ports and the Xiamen port is 49% owned by Delta Ports.

Jiuzhou, Gaolan, Nanhai, Jiangmen, Shantou and Xiamen handled a total of 620,000 TEUs and 1.7 million tons of general cargo in the first six months of 2003, a 28% and 62% increase in container and general cargo throughput respectively over the same period of 2002.

Ports in the UK and Continental Europe

United Kingdom

Port of Felixstowe Limited. Hutchison has a 90% equity interest in Port of Felixstowe Limited ("Felixstowe"), the largest container facility in the UK. Felixstowe handled approximately 1.2 million TEUs in the first six months of 2003, a 7% decrease compare to the same period in 2002. Felixstowe handled approximately 40% of the UK's container throughput in 2002. Felixstowe has three terminals including: Trinity, which can berth seven container ships at any one time, Landguard, serving deep sea and short sea operations, and Dooley, primarily a roll-on, roll-off facility. Felixstowe has announced its intention to redevelop the Landguard Terminal into a four-berth container terminal.

Thamesport (London) Limited. Hutchison has a 90% equity interest in Thamesport (London) Limited ("Thamesport") in the UK. Thamesport is a modern container terminal on the Thames estuary 35 miles from London and opened in 1990 with 550 meters of quay and five post-Panamax ship-to-shore quay cranes. The quay was extended by 100 meters in 1997 to allow two post-Panamax vessels to berth simultaneously. Thamesport handled 243,770 TEUs in the first six months of 2003, an increase of 3% from the same period in 2002.

The following table summarizes the combined container throughput with respect to Felixstowe and Thamesport for the periods indicated.

UK Container Throughput

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs (in thousands of TEUs)					
Local	2,388.3	2,327.8	2,496.9	1,178.8	1,201.7
Transshipment	933.7	868.6	715.5	339.8	232.3
Total	3,322.0	3,195.6	3,212.4	1,518.6	1,434.0

The overseas destinations or origins of throughput handled by Felixstowe and Thamesport for the first six months of 2003 were as follows.

UK Container Throughput — Overseas Destinations/Origins

Destination/Origin	Approximate Percentage
Far East	50
North America	8
North Europe	12
Mediterranean	10
Africa	7
Middle East/India	10
Central and South America	3
Total	100

Harwich International (Holdings) Limited. Hutchison has a 90% equity interest in Harwich International (Holdings). Built as a rail ferry port in the 1880's, Harwich is situated one mile from Felixstowe on the opposite side of the Harwich Haven estuary. It has strong links with Northern Europe and Scandinavia, particularly through regular passenger and freight roll-on/roll-off services and cruise vessels. In addition to roll-on/roll-off traffic, it also handles liquid bulks and agricultural products. The purchase of 102 hectares of land at Bathside Bay adjacent to Harwich was completed in December 2000 at a cost of £10 million (approximately HK$116 million). It is intended to develop this land into a four berth container terminal with a capacity of 1.7 million TEUs using existing road and rail infrastructure.

Continental Europe

Europe Container Terminals B.V. In November 1999, Hutchison acquired an equity interest of 31.5% in ECT in Rotterdam, the Netherlands. In December 2001, Hutchison acquired a further 44% effective equity interest in ECT, bringing its total interest to 75.5%. Rotterdam was the seventh largest port in the world in terms of throughput in 2002. Since its incorporation in 1966, ECT has developed into one of the largest container operator in Europe, operating two deep-sea container terminals. In the first six months of 2003, ECT handled over 1.8 million TEUs a 5% increase over the same period in 2002. It is also developing inland facilities in the towns of Venlo in the Netherlands, Duisburg in Germany and Willebroek in Belgium.

Ports in Asia, Middle East and Africa

Indonesia

Jakarta International Container Terminal. In April 1999, Hutchison acquired a 51% interest in JICT, located at Tanjung Priok Port in Jakarta. JICT is the largest port operator in Indonesia with eight berths. The terminal achieved significant productivity gains and handled over 988,000 TEUs in the first six months of 2003. Expansion plans for the terminals are in progress and are scheduled to be carried out over a five-year period, increasing the terminal's annual handling capacity from the present 2 million TEUs to 3.1 million TEUs.

Koja Terminal. In July 2000, Hutchison acquired an effective 47.88% interest in Koja Terminal at Tanjung Priok Port in Jakarta. Koja Terminal is adjacent to JICT and has a quay length of 450 meters and an annual capacity of 550,000 TEUs.

The following table summarizes JICT's and Koja Terminal's container throughputs for the periods indicated since their respective acquisitions.

Indonesia Container Throughput

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Container throughputs (in thousands of TEUs)					
Local	1,753.1	1,944.2	2,045.4	1,019.6	972.9
Transshipment	25.4	45.0	36.2	19.0	14.7
Total	1,778.5	1,989.2	2,081.6	1,038.6	987.6

The overseas destinations or origins of throughput handled by JICT and Koja Terminal in the first six months of 2003 were as follows.

Indonesia Container Throughput Overseas Destinations/Origins

Destination/Origin	Approximate Percentage
Far East	42
North America	26
Europe	27
Others	5
Total	100

Malaysia

Kelang Multi Terminal. Hutchison acquired a 31.4% equity stake in Westport Holdings Sdn. Bhd., the holding company of Kelang Multi Terminal Sdn. Bhd. ("KMT") at Port Kelang, Malaysia in September 2000. KMT, which is strategically located at the Straits of Malacca, is an integrated terminal situated on 508 hectares of land with terminal handling facilities for containers, dry bulk, liquid bulk and other conventional cargo. It currently has a quay length of 4,350 meters and an annual capacity of 2.4 million TEUs and 17.4 million tons of conventional cargo with the potential to significantly expand its handling capacity. KMT handled 1.1 million TEUs in the first six months of 2003, an increase of 16% from the same period in 2002.

South Korea

Hutchison Korea Terminals. In February 2002, Hutchison acquired three terminals from Hyundai Merchant Marine Co. Ltd., two terminals in Busan Port, the world's third largest container port in terms of throughput in 2002, and one terminal at Kwangyang Port, South Korea's second largest deep sea port. The three terminals have seven berths and an annual handling capacity of 3 million TEUs. The acquisition complements Hutchison's existing investment in South Korea and is consistent with the South Korean government's vision to develop Busan Port and Kwangyang Port as the two primary ports and logistics centers in South Korea.

Korea International Terminals. In May 2001, Hutchison formed a consortium, Korea International Terminals Limited ("KIT"), with Hanjin Shipping Co. Ltd. and Hyundai Merchant Marine Co. Ltd. to develop and operate Phase II of the Kwangyang Port in South Korea. The first three berths started commercial operations in April 2002 and the remaining four berths will be completed in December 2003. On completion, KIT will have an annual handling capacity of 2.5 million TEUs. The port of Kwangyang is situated on the main trade arteries of Northern Asia.

Thailand

Thai Laemchabang Terminal Company Limited. In June 2001, Hutchison acquired a 56% interest in Thai Laemchabang Terminal Company Limited ("TLT"), and exercised its option in 2002 to increase its interest to 87.5%. TLT is a multi-purpose terminal operating two deep-water berths at Laem Chabang Port in Thailand. TLT is located on the Gulf of Thailand about 100 km from Bangkok and 25 km from Pattaya City. Construction was completed and the terminal became fully operational in February 2002. TLT has full container and general cargo handling capabilities. TLT has an annual handling capacity of 550,000 TEUs and handled 67,000 TEUs in the first six months of 2003.

Saudi Arabia

International Ports Services. In June 2001, Hutchison acquired a 32.6% interest in International Ports Services Company Limited ("IPS") which operates the Port of Dammam in Saudi Arabia. Hutchison exercised its option in 2002 to increase its interest to 51%. IPS has an annual handling capacity of 600,000 TEUs and handled 300,100 TEUs in the first six months of 2003.

Pakistan

Karachi International Container Terminal. In June and December 2001, Hutchison acquired an 82% aggregate interest in Karachi International Container Terminal Limited ("KICT"), which operates the port of Karachi in Pakistan. Hutchison exercised its option in 2002 to increase its interest to 100%. KICT has an annual handling capacity of 400,000 TEUs and handled 166,600 TEUs in the first six months of 2003.

Tanzania

Tanzania International Container Terminal. In June and November 2001, Hutchison acquired a 63.2% aggregate interest in Tanzania International Container Terminal Services Limited ("TICT") and exercised its option in 2002 to increase its shareholding to 70%. TICT is located at Dar es Salaam in

Tanzania. The Port of Dar es Salaam handles more than three quarters of Tanzania's trade and is the largest city, industrial center and business capital in Tanzania. It has rail and road links to more than six land locked countries and serves as a major logistics gateway to Eastern, Central and Southern Africa. TICT has an annual handling capacity of 250,000 TEUs and handled 96,000 TEUs in the first six months of 2003.

Myanmar

Hutchison also has an 85% interest in a joint venture that has a long-term concession to operate the container port facility at Thilawa (Yangon), Myanmar. The port commenced operations in early 1998.

Ports in the Americas and Caribbean

Panama

Panama Ports Company S.A. In March 1997, Hutchison commenced operations at the ports of Balboa on the Pacific Ocean side and Cristobal on the Atlantic Ocean side of the Panama Canal, under a long-term concession agreement. Hutchison commenced an approximately US$100 million (HK$780 million) investment program in Balboa in June 1998, increasing the annual combined capacity of the two ports to 650,000 TEUs and creating a modern post-Panamax transshipment facility. The Balboa facility was completed in November 2000. The Phase III expansion program of the Balboa terminal commenced in mid-2000, which will increase the annual handling capacity to one million TEUs upon completion in 2004. The ports of Cristobal and Balboa provide the link and strategic access for the transatlantic and transpacific trades to the east and west coasts of the Americas. In addition, Balboa is strategically located to participate in the transshipment trade between Asia, the west coast of the US, and the west and east coasts of Central and South America and the Caribbean. Cristobal and Balboa handled 296,600 TEUs in the first six months of 2003, a 42% increase over the same period in 2002.

Argentina

Buenos Aires Container Terminal. In June 2001, Hutchison acquired 64% of Buenos Aires Container Terminal Services S.A. ("BACTSSA") and exercised its option in 2002 to increase its shareholding to 100%. BACTSSA is located at Terminal 5 at the Port of Buenos Aires, Argentina. BACTSSA is a state-of-the-art terminal with two berths and modern equipment and facilities, including a container freight station and logistics center. BACTSSA sits on a land area of 21.5 hectares and has a main quay length of 495 meters with a depth alongside of 10 meters. BACTSSA has an annual handling capacity of 450,000 TEUs and handled 63,300 TEUs in the first six months of 2003.

Mexico

Internacional de Contenedores Asociados de Veracruz. In June and October 2001, Hutchison acquired an 82% aggregate interest in Internacional de Contenedores Asociados de Veracruz S.A. de C.V. ("ICAVE") and exercised its option in 2002 to increase its shareholding to 100%. ICAVE is located at the Port of Veracruz on the eastern coast of Mexico. ICAVE comprises 42 hectares of container yard and more than 500 meters of quay. In addition to facilities for handling containers, bulk and general cargo, ICAVE is equipped with a container freight station, intermodal station, and empty container depot and repair facilities. ICAVE has an annual handling capacity of 800,000 TEUs and handled 329,100 TEUs in the first six months of 2003.

Ensenada International Terminal. In June 2001, Hutchison acquired a 64% interest in Ensenada International Terminal ("EIT") which is located at the Port of Ensenada, Mexico and exercised its options in 2002 to increase its shareholding to 100%. EIT is strategically situated 110 km south of the US-Mexico border along the Pacific Ocean. In recent years, EIT has undergone extensive redevelopment involving quay construction, dredging and new equipment purchases and has an annual handling capacity of 250,000 TEUs and handled 24,600 TEUs in the six months ended June 30, 2003.

In July 2003, Hutchison acquired a 51% interest in LC Terminal Portuaria de Contenedores S.A. de C.V., (LCT). In April 2003, LCT was awarded the concession to operate and develop container handing facilities in the Port of Lazaro Cardenas, on the Pacific coast of Mexico. LCT's long-term concession allows for the immediate re-opening of an existing one-berth terminal, as well as providing development rights for an 85-hectare deepwater, green field site.

The Bahamas

Freeport Container Port Limited. Hutchison has a 65% interest in Freeport Container Port on Grand Bahama Island in the Bahamas. The facility currently has two berths. The Phase IV expansion plan is in progress and on completion at the end of 2003, will increase the annual handling capacity by 58% to 1.5 million TEUs. The Port of Freeport is the closest offshore port to the east coast of the US and is strategically located between Europe, North and South America and the Panama Canal. Freeport Container Port handled 505,700 TEUs in the first six months of 2003, an increase of 49% from the same period in 2002.

Port Related Services

Hutchison has a 100% interest in Mid-Stream Holdings, which is the largest mid-stream operator in Hong Kong. Mid-Stream Holdings achieved a throughput volume of around 1.1 million TEUs in the first six months of 2003.

Hutchison owns 50% interests in both Hongkong United Dockyards Limited and The Hongkong Salvage and Towage Limited. Hongkong United Dockyards provides both marine and ground engineering services from its floating docks and workshop complex. In addition to ship maintenance and repair, Hongkong United Dockyards is a leading contractor for steelwork, mechanical and electrical engineering, and industrial and heavy engineering. Hong Kong Salvage and Towage has the largest and one of the most modern fleets of tugs in Hong Kong. Its 21-vessel fleet includes one 3,200 brake horse power ("BHP") harbor tug acquired in 1998, two 3,200 BHP harbor tugs acquired in 1995 and four 4,000 BHP ocean-going multi-purpose tugs acquired in 1994. Its services include harbor towage, deep-sea towage, salvage, as well as tug design, supervision and consultancy.

Hutchison owns a 70.8% interest in Shenzhen Hutchison Inland Container Depots Co., Ltd., which is operating a container depot and warehousing facilities in Shenzhen to provide logistics services, including cargo consolidation, storage and distribution, quality inspection, warehousing, container storage and repair, transportation and other related services. This facility is expected to enhance container traffic through Yantian Port.

Hutchison has a 50% interest in Freeport Harbour Company, a major cruise ship passenger terminal on Grand Bahama Island in the Bahamas. Freeport Harbour Company holds a 100% interest in the Grand Bahama Airport Company which operates the international airport on the island and holds a 741-acre tract of industrial land ideally situated between the airport and the container port. The cruise facilities at Freeport Harbour Company have undergone major upgrades and the Grand Bahama Airport Company is undergoing major renovations and upgrades to the runway and passenger terminals.

Hutchison acquired in June 2001 Ensenada Cruiseport Village which is an important international port for worldwide and Pacific Coast cruise ships.

In June and October 2001, Hutchison acquired an 82% aggregate interest in Terminal Internacional de Manzanillo S.A. de C.V. ("TIMSA") and exercised its option in 2002 to increase its shareholding to 100%. TIMSA is a multi-purpose stevedoring operation which provides services at the Port of Manzanillo, Mexico. The port is strategically situated along the West Coast of Mexico and is connected to major trade routes linking the Americas and Asia.

Telecommunications

Hutchison is a leading worldwide competitor in mobile telecommunications. Hutchison began its telecommunications business in Hong Kong in 1985 with analog cellular services and expanded into digital mobile services. In Europe, Hutchison built the very successful Orange PCS network and took Orange public before divesting its interests in 1999. Although Hutchison has divested its interest in Orange, it retained the rights to use the widely recognized Orange brand name in Hong Kong, Israel, Australia and various operations in India.

Hutchison is strengthening its position as one of the leading operators in the global mobile telecommunications market by developing 3G business opportunities in mature mobile markets and capturing 2G growth opportunities in underdeveloped mobile markets, exemplified by Hutchison's CDMA-1X operations in Thailand, while maintaining a prudent financial position. In markets such as Hong Kong, Australia and Israel where it has existing 2G operations, Hutchison is using its established position as a platform to expand by developing 3G businesses. In Europe, Hutchison has made investments using its substantial cash and liquid asset reserves and project financing to develop the 3G wireless telecommunications market with strategic partners and to build 3G businesses in certain key countries. Hutchison has acquired 3G licenses in the UK, Ireland, Italy, Austria, Sweden, Denmark and Norway. Hutchison also intends to capitalize on its experience as a network operator to compete for and capture attractive growth opportunities, on a selective basis, in less developed mobile telecommunications markets globally. Hutchison's strategy in the Mainland is to strategically position itself to benefit from any future liberalization of the telecommunications industry.

Hutchison believes that the advent of 3G wireless data transmission will revolutionize the way that people and businesses communicate and conduct transactions. While still under development, many operators are rapidly adopting forms of wireless data and Internet convergent technology. It is expected that the proliferation of applications and services available over wireless data networks will significantly increase use of the wireless medium. 3G operators are expected to benefit from this development. Advances in technology are expected to enable users to connect or integrate a wide range of devices easily and simply to wireless handsets.

All of the Hutchison 3G operations are coordinating their efforts to design and build their networks and supporting technology infrastructure. This approach enables Hutchison to take advantage of procurement economies of scale and also, through cooperation and task sharing, to more efficiently utilize the resources and skills of each country's management team to help ensure an early launch of services and secure ongoing operational efficiencies in all countries. Hutchison has been successful in negotiating with suppliers on a group basis to leverage combined buying power.

In July 2001, Motorola was named as a Hutchison preferred supplier of customized 3G terminals in its key markets, including Australia, Austria, Italy, Hong Kong, Sweden and the UK. The agreement, which commits both companies to working together on 3G wireless communications solutions through at least the end of 2003, has an estimated value of more than US$700 million (approximately HK$5,460 million).

In August 2001, Hutchison also named NEC as a preferred supplier of 3G wireless devices to the Hutchison 3G operations in Australia, Austria, Italy, Hong Kong, Sweden and the UK. In November 2001, Hutchison announced an order with NEC for over one million 3G videophones, which was increased to two million in October 2002.

Among various other initiatives, Hutchison engaged one of the world's leading brand consultants to assist in the development of the Hutchison 3G brand. In July 2002, Hutchison confirmed that **3** would be the brand name for Hutchison's 3G services to be offered in various markets. Joint strategies are in place for the acquisition and development of information technology and content. Hutchison has secured distinctive 3G content rights including other sports rights, news, traffic, weather and travel information services, location based services, wireless e-mail services, glamour and music.

As part of its strategy, Hutchison has formed alliances with leading international telecommunications providers and investors including:

- NTT DoCoMo, the largest mobile operator which is publicly listed in Japan with around 38 million i-mode "2.5G" service subscribers and the world's first W-CDMA based 3G service;
- Investor AB, the largest diversified holding company in Sweden;
- NEC, one of the world's leading providers of Internet, broadband network and enterprise business solutions; and
- Telecom Corporation of New Zealand ("TCNZ"), the leading integrated telecommunications operator in New Zealand.

Hutchison believes that these alliances and its operations in diverse countries around the world create synergies in the development of new products, the implementation of new technologies and the marketing of successful brands.

Hutchison's 2G Networks and 3G Expansion

Hong Kong

Cellular Industry Overview

Cellular communications services were first launched in Hong Kong in 1984. The Hong Kong government established the Office of Telecommunications Authority of Hong Kong ("OFTA") in July 1993. OFTA is charged with the responsibility of regulating and licensing telecommunications services, managing the allocation of radio frequency spectrum and ensuring the fair and effective operation and successful development of the Hong Kong telecommunications industry.

The number of digital cellular subscribers in Hong Kong increased by approximately 27 times during the period from 1992-2002, at an average compound annual growth rate of 39%. However, growth has slowed since 2001. As of June 30, 2003, the number of cellular subscribers reached a penetration rate of approximately 95% with 6,480,175 subscribers.

2G Operations

Hutchison commenced its cellular operations in 1985 and has since been a leader in the development of the wireless telecommunications market in Hong Kong. In 1998, Hutchison Telephone Company Limited ("Hutchison Telephone") introduced Asia's first dualband cellular services in Hong Kong under the Orange brand, which was associated with value, innovation, quality, features and customer care in the UK. Hutchison Telephone is the only cellular operator in Hong Kong offering dualband GSM and CDMA network services and is using these multiple spectrum networks to offer multiband communications to provide for enhanced reception and roaming capabilities. Hutchison Telephone has rapidly expanded its subscriber base since 1998. During the period from 1998 to 2003, Hutchison Telephone experienced approximately 300% growth in subscribers, increasing its subscribers from approximately 602,000 as of December 31, 1997 to approximately 1.7 million as of June 30, 2003, representing a market share of approximately 26%. Hutchison believes this substantial growth in subscribers is attributable to a number of factors, including: innovative wireless data services; the capacity of its network; its competitive tariff plans; emphasis on customer service; its strong distribution network through approximately 47 Orange branded retail outlets; dramatically declining handset prices in Hong Kong; and increased popularity of wireless telecommunications.

The following table sets out certain market and operating data for Hutchison Telephone's cellular services for the periods indicated.

Hutchison Telephone Cellular Services

	Year Ended December 31,			Six Months Ended June 30,	
	2000	2001	2002	2002	2003
Market penetration (%)(1)	78	84	91	86	95
Hutchison Telephone market share (%)(2)	32	29	28	29	26
Hutchison Telephone total subscribers (in millions)	1.65	1.66	1.77	1.67	1.65
Average monthly usage per contracted subscriber (in minutes)(3)	341	389	458	445	458
Average monthly usage per activated pre-paid SIM subscriber (in minutes)(3)	44	41	34	35	24
Number of operational base stations	2,671	2,821	2,869	2,886	2,538

(1) Determined by dividing total market subscribers (including prepaid SIM subscribers) in Hong Kong as reported by OFTA by the total population of Hong Kong at period end.

(2) Estimated by Hutchison.

(3) Average monthly usage per contracted/activated pre-paid SIM subscriber is calculated by (i) for each month in such period, dividing the total number of minutes of usage during such month by the average number of active contracted subscribers/activated pre-paid SIM for that month and (ii) dividing the sum of such results by the number of months in the relevant period.

As of June 30, 2003, Hutchison Telephone's 2G-2.5G network had a total network capacity of approximately 2 million subscribers utilizing two switching centers with 15 mobile switches, 65 base station controllers and 2,538 radio base stations. Hutchison believes that Hutchison Telephone is well positioned to meet the competitive pressures in Hong Kong given its extensive experience in the Hong Kong mobile telecommunications market, the significant capacity of its spectrum allocations in the GSM and CDMA frequencies, and its commitment to providing high quality coverage and customer service.

Hutchison Telephone currently operates a dualband GSM network that allows radio communications to and from subscriber handsets to seamlessly switch between the 900 MHz and 1800 MHz spectrum bands resulting in enhanced network quality and capacity. Hutchison Telephone also operates a less expensive service over its CDMA network. Hutchison believes that the increased choice provided by its dualband GSM and CDMA networks delivers a competitive advantage over singleband and dualband services because its dualband service switches users between the spectrum bands to provide comprehensive, high quality coverage, and its CDMA service provides a competitive alternative which is compatible with foreign CDMA technology handsets.

Hutchison Telephone has also aggressively expanded its international roaming footprint to cover over 200 destinations worldwide. Hutchison Telephone implemented one of the world's first CDMA international roaming services with Canada in January 1997 and has launched another world's first automatic roaming services, covering the US and Canada, Korea, Japan, New Zealand, Australia and Mainland China. Hutchison Telephone is the only CDMA operator in Hong Kong and it is well positioned to gain roaming traffic volume from visitors in Hong Kong using foreign CDMA technology handsets.

Hutchison Telephone's cellular networks interconnect with the domestic public switched telephone network ("PSTN") operated by PCCW Limited (formerly PCCW-HKT) and, through the public network, with PCCW Limited's international gateways. Hutchison Telephone is also connected to Hutchison Global Communications' territory-wide fiber optic backbone. This reduces both rental payments for leasing circuits from PCCW Limited and interconnection charges payable to PCCW Limited for connection to its domestic PSTN.

To meet market demand for the faster transmission speeds required for wireless Internet access and other applications, Hutchison Telephone has continued to invest in innovative technology such as General Packet Radio System ("GPRS") technology, which can offer transmission speeds of up to 115 kbps. In August 2000, Hutchison Telephone launched its first packet data mobile service in Hong Kong. Deploying the 2.5G CDMA IS95B packet data transmission technology, Hutchison Telephone offers mobile users data transmission speeds of up to 64 kbps. In conjunction with this launch, Hutchison Telephone introduced the first packet billing scheme under which users are only charged for the volume of data they transmit. Hutchison also launched a series of application services that support both GPRS and Kjava technologies in August 2001. Being the first to be introduced in Hong Kong, the Kjava applications together with the GPRS technology enable users to be continually updated with always on-line information. In early December 2001, Hutchison Telephone co-launched Inter-operator Short Messaging Service ("IOSMS") with the other five mobile operators. The service enables mobile phone users to send and receive SMS not only within the same network, but also across different networks.

In early May 2002, Hutchison Telephone and Research In Motion Limited announced the commercial launch of the BlackBerry™ wireless email solution operating on Hutchison Telephone's Orange GSM Dualband and GPRS networks in Hong Kong. Hutchison Telephone is the first mobile operator in Asia to offer the BlackBerry™ solution. BlackBerry™ provides corporate customers with an end-to-end wireless solution that includes integrated email, mobile telephone, SMS, Wireless Application Protocol ("WAP") and electronic organizer features. To further stimulate the demand for mobile data service, Hutchison Telephone launched its Orange multimedia messaging services ("MMS") service in late June 2002 which delivers mobile multimedia via its GSM/GPRS network and multimedia messaging platform.

Macau

In October 2000, following the deregulation of the Macau telecommunications industry, Hutchison Telephone was awarded a license to operate a mobile network in Macau. As of June 30, 2003, there were approximately 313,000 total mobile subscribers in Macau, representing a penetration rate of around 70%. Hutchison anticipates the penetration will grow steadily as a result of this deregulation. In August 2001, Hutchison launched its GSM dualband mobile service in Macau, providing Macau citizens with seamless coverage in over 99.99% of its populated areas. It provides a full range of services which includes comprehensive voice, international direct dial ("IDD") and international roaming services, GPRS and wireless MMS.

Strategic Alliances with NTT DoCoMo and NEC Corporation

In February 2000, Hutchison completed the sale of a 19% interest in its Hutchison Telephone cellular business to NTT DoCoMo and also restructured the company's capital. With the disposal of a 25.1% stake by Motorola in early 2001, both Hutchison and NTT DoCoMo have increased their interests in Hutchison Telephone. Following the issue by Hutchison Telephone of 5% of new shares to a company which became a wholly owned subsidiary of NEC in November 2002, Hutchison holds an approximate 71% interest in Hutchison Telephone, NTT DoCoMo holds a 24% interest and NEC holds a 5% interest. NTT DoCoMo is currently the largest mobile operator in Japan and is a world leader in the development and implementation of mobile multi-media telecommunications services. NEC is one of the world's leading providers of technology solutions with core business interests in the mobile Internet industry. NEC is already the supplier of certain 3G infrastructure systems and 3G terminals for Hutchison's 3G operations. With NTT DoCoMo's technology and vision, NEC's expertise in infrastructure and terminals and Hutchison Telephone's leading market position in Hong Kong, Hutchison believes that these strategic alliances will enhance its technical and commercial capabilities for mobile voice telephony, wireless data communications, Internet access and e-commerce transactions. Both NTT DoCoMo and NEC are also participating in Hutchison's Hong Kong 3G expansion.

3G Expansion

In October 2001, OFTA granted a 3G license to each of four operators at reserve price, i.e. an annual fee of HK$50 million for each of the first five years, and from the sixth to the fifteenth year the higher of a 5% royalty based on network turnover or the applicable minimum annual fee set at HK$60 million for the sixth year and increasing by approximately HK$10 million per year up to HK$151 million for the fifteenth year. The four operators are Hutchison 3G HK, Hong Kong CSL, SmarTone 3G and SUNDAY 3G (HK). Under the terms of its license, Hutchison 3G HK is required to roll out and maintain its network so as to cover an area where at least 50% of Hong Kong's population lives by not later than December 31, 2006. The Hong Kong Government has introduced an Open Network Access framework in which 3G licensees have to make available up to 30% of the capacity of their networks for use by non-affiliated service providers. Following the award of 3G licenses in October 2001, Hutchison 3G HK obtained one block of paired spectrum of 2 x 14.8 MHz plus one 5 MHz block of unpaired spectrum in Hong Kong. Hutchison 3G HK is completing a Universal Mobile Telecommunications System ("UMTS") network in compliance with the license.

Hutchison 3G HK has substantially completed the build-out of its Hong Kong network. However, as a result of the delays in providing handsets to its European 3G operations, Hutchison has reconsidered the timing of the launch of its Hong Kong operation until sufficient quantities of handsets are available. Hutchison 3G HK is planning to commence services in Hong Kong later in 2003 or early 2004. For a discussion of some of the issues that Hutchison faces in its 3G operations, see "— European 3G Networks — Overview".

See "— Fixed Line Operations — Hong Kong" for further information about Hutchison's telecommunications operations in Hong Kong.

Australia and New Zealand

Hutchison Australia was formed in 1989 as the result of the consolidation of Australian paging companies. In the following years, the company broadened its scope of services to include GSM resale, messaging and information services and other telecommunications products. In 1999, the company adopted the Orange brand to market certain of its services.

2G Operations

Following an initial public offering of equity shares in August 1999, Hutchison's interest in Hutchison Australia was reduced to 54.0%. Hutchison Australia raised net proceeds of approximately A$235 million (approximately HK$1,058 million) from the offering which was partly used to repay a portion of outstanding debt with the remaining balance used to finance the development of a CDMA cellular network. In June 2000, Hutchison Australia launched its CDMA services in Sydney and Melbourne using 800 MHz spectrum. The Hutchison Australia CDMA network had over 278,000 subscribers as of June 30, 2003. In October 2001, Hutchison Australia disposed of its GSM subscriber base to SingTel Optus in consideration for A$53 million (approximately HK$260 million) of Optus' fiber optic capacity and focused on providing 2G cellular business on its CDMA networks.

3G Expansion

In March 2000, Hutchison Australia acquired 1800 MHz spectrum capital city licenses covering Sydney, Melbourne, Brisbane, Adelaide and Perth at a total cost of A$670 million (approximately HK$3,220 million). Hutchison's interest in Hutchison Australia was increased to 57.8% following an A$700 million (approximately HK$3,150 million) rights issue in July 2000 in which Hutchison took up its share rights and share rights renounced by certain other shareholders. The proceeds of the rights issue were principally used to repay a bridging loan facility that temporarily financed the acquisition of the 1800 MHz spectrum licenses. In April 2001, Hutchison Australia acquired 2100 MHz spectrum licenses covering the same capital city license areas at a cost of A$196 million (approximately HK$773 million).

In May 2001, Hutchison Australia formed a joint venture with TCNZ to fund and develop the 3G business. TCNZ initially contributed A$250 million (approximately HK$1,000 million) for a 19.9% interest in the joint venture. Hutchison Australia contributed its 3G spectrum licenses and assets under development for its 80.1% interest in the joint venture. As part of the same alliance, Hutchison has an option to acquire a 19.9% interest in TCNZ's 3G business in New Zealand for NZ$250 million (approximately HK$925 million). In August 2002, TCNZ contributed a further A$150 million (approximately HK$620 million) to this joint venture.

In November 2001, Hutchison Australia issued medium term fixed rate notes for a total amount of A$425 million (approximately HK$1,705 million) to re-finance the outstanding short term and working capital facilities. In July 2002, Hutchison Australia raised approximately A$600 million (approximately HK$2,600 million) through a rights issue of convertible notes. The proceeds of the convertible notes have been applied as a further equity contribution to the 3G joint venture. Hutchison subscribed for A$598 million of these notes, and if converted, Hutchison's interest in Hutchison Australia will increase to approximately 82%.

In January 2002, Hutchison 3G Australia reached an agreement with Lucent Technologies to acquire the majority of the network assets constructed by Lucent Technologies for One.Tel across its five city license areas. Hutchison Australia has obtained content rights for its 3G offering and as an example announced its sponsorship of Test cricket in Australia in October 2001 and was awarded the exclusive Australian Cricket Board rights for mobile wireless communications in a strategic five year deal. In May 2002, an agreement was reached between Hutchison 3G Australia and Vodafone Pty Ltd for the provision of Australian-wide 2G and 2.5G roaming services.

In December 2002, Hutchison Australia announced a seven-year service agreement with Ericsson Australia Pty Ltd. ("Ericsson Australia"). Under the agreement, Ericsson Australia will operate Hutchison Australia's paging, CDMA and 3G networks, as well as the service platforms. This agreement is expected to deliver cost benefits of A$40 million to A$45 million (approximately HK$175 million to HK$195 million) to Hutchison Australia. In 2002, Hutchison 3G Australia also entered into an agreement with over 30 global GSM operators for the provision of international 2G and 2.5G roaming.

In March 2003, Hutchison Communications Australia (03/08) Pty Limited, a wholly owned indirect subsidiary of Hutchison, issued A$800 million (approximately HK$3,700 million) principal amount of floating interest rate notes due in 2008 guaranteed by Hutchison, the proceeds of which have been used to refinance bank loans due in 2003, totaling A$796 million (approximately HK$3,700 million).

Hutchison 3G Australia commenced offering 3G services to customers in Sydney and Melbourne in April 2003 and, in Perth, Adelaide and Brisbane in July 2003, with population coverage of approximately 64% of the population of its license area with over 1,600 cell sites on air. Hutchison 3G Australia is the only operator offering live, person-to- person video calling in these five capital cities and has a competitive suite of differentiated products and services. Outside of Hutchison 3G Australia's 3G network, customers will roam onto Vodafone's national GSM/GPRS network which allows basic voice and messaging services. Hutchison 3G Australia is currently offering 3G services in all 5 cities through a distribution network of 43 flagship company owned stores plus 70 Orange dealerships and 109 non-exclusive dealers.

At the end of August 2003, Hutchison 3G Australia had approximately 50,000 subscribers. As with Hutchison's European 3G operations, Hutchison Australia is currently experiencing difficulties in procuring sufficient quantities of handsets. See "— European 3G Networks — Overview".

Israel

In 1997, Partner Communications, a company in which Hutchison held a 46.6% interest, bid to acquire a general license to establish and operate a GSM mobile telephone network in Israel. Following Partner Communications' initial public offering of equity shares in November 1999, Hutchison's equity interest was reduced to 35%. Partner Communications concluded a US$750 million (approximately HK$5,850 million) project finance facility to refinance its existing bank debt and concluded a high-yield bond issue of US$175 million (approximately HK$1,365 million) in August 2000 to meet funding demands arising from further business development. In April 2002, Hutchison purchased an additional 7.7% shares in Partner Communications from one of the founding Israeli shareholders and a further approximately 1.2% from employees of Partner Communications upon exercise of share options granted to the employees, hence increasing its total shareholding in Partner Communications to 43.3%.

In April 1998, Partner Communications was awarded the third nationwide license in Israel for an initial period of ten years. Partner Communications' GSM network was the first 100% digital network in Israel and the first network that allowed significant international roaming in Europe. The GSM network was launched in January 1999 and, as of June 30, 2003, had over 1.9 million subscribers and an approximate 29% market share.

In December 2001, Partner Communications was awarded 1800 MHz and 2100 MHz spectrum licenses in Israel for a total consideration of 400 million New Israeli Shekels (approximately HK$737 million). The consideration of 180 million New Israeli Shekels (approximately HK$332 million) for the 1800 MHz spectrum is payable in two installments, 108 million New Israeli Shekels was payable 45 days after the spectrum was formally awarded, and the second installment of 72 million New Israeli Shekels is payable by the end of 2003. The consideration of 220 million New Israeli Shekels (approximately HK$405 million) for the 2100 MHz spectrum is payable in five installments through 2006, of which an initial 68 million New Israeli Shekels was payable 45 days after the spectrum was formally awarded. As part of the licensing process, Partner's original license, awarded in 1988, has been amended and extended for an additional fourteen years to 2022. The 1800 MHz spectrum will be deployed to enhance the GSM capacity and the 2100 MHz will be deployed to develop a 3G business.

European 3G Networks

Overview

Several of Hutchison's European 3G businesses became operational in the first half of 2003. At the end of August 2003 Hutchison had approximately 155,000 subscribers in the UK and 300,000 subscribers in Italy. Hutchison is currently experiencing a shortage in the supply of 3G handsets which is limiting its ability to increase subscriber levels. As a result of these shortages, Hutchison has reconsidered the timing of the commercial launch of certain 3G operations, including in Hong Kong, until sufficient quantities of handsets are available, which is currently expected to be by the end of 2003. Hutchison's two principal suppliers of handsets have assured Hutchison that significant quantities will be delivered to the respective 3G operations in November 2003. Hutchison is also addressing other challenges in its 3G markets. See "Risk Factors — Telecommunications — 3G Telecommunications in Europe and Asia". However, it believes that it is successfully addressing these difficulties and that its overall strategy and the development, implementation, marketing and operation of these businesses has been successful and in accordance with its expectations.

European Union Regulation

Hutchison's 3G operations in Europe are subject to the EU's regulatory framework governing the electronic communications industry. A new EU regulatory package for the communications industry was published in April 2002 and the implementation date for the Member States was July 2003. The new regulatory framework comprises several Directives which provide for, among other things:

- an overall framework for consistent regulation of electronic communications throughout the EU;
- access to networks that are of importance to mobile operators including interconnection and international roaming agreements; and
- the availability of good quality services through effective competition, choice and placing certain service obligations on operators with significant market power.

The new regulatory framework aims to harmonize regulation across a single EU market and provide a greater degree of legal certainty for industry players. It is therefore expected to provide certain benefits for multi-jurisdictional operators such as Hutchison. However, the new regulatory framework may increase certain of Hutchison's costs and create downward pressure on its prices for 3G services, each of which could affect Hutchison's ability to achieve its expected return on 3G investment. Hutchison believes that the practical implications of the new regulatory framework will depend upon how the Directives are implemented by Member States, how the European Commission seeks to further interpret the application of the Directives and how EU members and other regulatory agencies then act upon such guidance.

United Kingdom

In April 2000, Hutchison, through its wholly owned subsidiary Hutchison 3G UK, acquired one of five licenses to operate a national 3G network in the UK. Hutchison 3G UK has fully paid the license fee of £4,385 million (approximately HK$53,510 million) using proceeds received from equity funding from its shareholders. The license expires on December 31, 2021 and permits Hutchison 3G UK to use 15 MHz of paired radio spectrum and 5 MHz of unpaired radio spectrum for the duration of the license and to build, own and operate a radio communications network to provide 3G mobile telecommunications services using the UMTS/IMT-2000 standard in the UK, excluding the Isle of Man and the Channel Islands. Under the terms of the license, Hutchison 3G UK is required to roll out and maintain its network so as to cover an area where at least 80% of the UK population lives by December 31, 2007.

In July 2000, Hutchison entered into a joint venture to build and operate this network through the sale of a 20% interest in Hutchison 3G UK to NTT DoCoMo and the sale of a 15% interest to KPN Mobile N.V. ("KPN"). Hutchison received aggregate consideration of approximately £2,100 million (approximately HK$23,000 million) on the sale and its holding of Hutchison 3G UK was reduced to 65%. In June 2003, Hutchison instituted a court proceeding in the UK against KPN with respect to a dispute regarding KPN's alleged breach of a shareholders' agreement. In July 2003, KPN presented a petition to the UK court alleging that Hutchison's conduct had been unfairly prejudicial to the interests of KPN under this shareholders' agreement. All court proceedings relating to both disputes were settled on November 7, 2003. Pursuant to the settlement agreements, Hutchison agreed to purchase KPN's 15% interest in Hutchison 3G UK for an aggregate of £90 million, with £60 million paid on November 7, 2003 and the remainder payable in three equal installments plus interest ending on December 31, 2007. KPN's shares in Hutchison 3G UK will be held in escrow until title to the shares passes to Hutchison upon full payment of the aggregate purchase price. Hutchison has the right to accelerate payment at its option. As part of the settlement, KPN's rights and obligations under the shareholders' agreement were terminated and all of KPN's nominated directors resigned from the board of Hutchison 3G UK as of November 7, 2003. See "Business — Legal Proceedings — Settlement of KPN Mobile N.V. Litigation". In August 2002, Royal KPN N.V., the parent of KPN, announced that its interest in Hutchison

3G UK was no longer considered a strategic participation from their point of view and therefore it wrote down the value of its holdings. In October 2002, NTT DoCoMo announced that it had decided to recognize an impairment loss on its investment in Hutchison 3G UK. Hutchison has determined not to write down its investment in Hutchison 3G UK.

Hutchison 3G UK is currently the only operator of a 3G network in the UK that does not also hold a 2G license. This provides Hutchison 3G UK with the opportunity to differentiate itself by focusing solely on developing a 3G network and services. Hutchison 3G UK offers a range of telecommunication and content services including mobile video and multi-media products developed for and targeted to meet the defined needs of particular customer groups.

Hutchison 3G UK has successfully commissioned the first operational 3G network in the UK. Hutchison 3G UK chose Nokia to supply the core network, which includes packet core elements and 3G mobile switches. The radio access network, including base station controllers and base stations, has been supplied by NEC and Nokia. The fibre backbone is provided by Hutchison Network Services UK Limited ("HNS"), a subsidiary of Hutchison, which acquired in December 2002 the majority of the assets of the 186k fiber optic network business from National Grid Transco Plc for a nominal sum. HNS owns a nationwide fiber optic network with dark fiber capacity of approximately 2,000 km connecting 20 major centers across the UK. Hutchison 3G UK has a national roaming agreement with O_2 (UK) Limited (formerly BT Cellnet Limited) to establish and operate 2G national voice and data roaming in the UK ("O_2 Agreement"). The O_2 Agreement will give Hutchison 3G UK 99% national population coverage for voice and SMS services in the UK. The O_2 Agreement also permits roaming onto O_2 (UK) Limited's national GPRS service. Hutchison 3G UK has also signed numerous content agreements to support its product portfolio. For example, Hutchison 3G UK acquired the rights to the F.A. Premier League soccer to provide Premier League content to its 3G customers in the UK via mobile phones and wireless devices.

Hutchison 3G UK has agreements with major high street retailers including Carphone Warehouse, Dixons, the Link and Phones 4U to sell **3** products and services. Services were commissioned in mid-March 2003 and there are currently over 4,900 cell sites in operation which provide video mobile covering 72% of the UK population and all the major cities in the country. In addition, Hutchison 3G UK offers voice, SMS and GPRS services to 99% of the population via the O_2 Agreement. At the end of August 2003, 3G UK had approximately 155,000 subscribers.

The business plan prepared by Hutchison 3G UK for its £3,252 million (approximately HK$36,250 million) syndicated debt facility calls for capital expenditure of at least £2,200 million (approximately HK$26,000 million) for the build-out of the UK business through 2005. Hutchison 3G UK arranged net funding of £3,239 million (approximately HK$36,000 million) in the first quarter of 2001 in the form of a syndicated non-recourse debt facility amounting to £2,087 million (approximately HK$23,700 million) and vendor financing amounting to £777 million (approximately HK$8,700 million) expiring March 2004. Hutchison also provided a £375 million (approximately HK$4,000 million) subordinated debt facility. On March 20, 2003, Hutchison 3G UK announced that it had reached an agreement with its lenders to extend the maturity of the facility by one year to March 30, 2005 and to amend certain financial and operating covenants. In March 2003, Hutchison 3G UK Holdings issued a funding call notice in the aggregate sum of £1,000 million (approximately HK$12,300 million) to its shareholders equal to the pro-rata percentage of their equity holdings to fund Hutchison 3G UK. The funding call was met by Hutchison in the amount of £800 million (approximately HK$9,840 million) and by NTT DoCoMo in the amount of £200 million (approximately HK$2,460 million). Hutchison's £800 million contribution included £150 million that was not paid by KPN as part of its *pro rata* contribution. See "— Legal Proceedings — Settlement of KPN Mobile N.V. Litigation".

Italy

In October 2000, Hutchison, through its subsidiary H3G Italia, acquired one of five licenses to operate a national 3G network in Italy. Pursuant to a shareholders' agreement, Hutchison initially subscribed for a 51% interest in Hutchison 3G Italia S.p.A. ("Hutchison 3G Italia"), the holding company of H3G Italia. Subsequently, pursuant to that agreement, Hutchison subscribed for additional shares, increasing Hutchison's interest to 78.3%. In December 2001, following a reorganization of Hutchison 3G Italia's capital structure by way of shareholders' advances capitalization, Hutchison's shareholding in Hutchison 3G Italia was further increased to 88.2%. In December 2002, following a reorganization of Hutchison 3G Italia's capital structure by way of shareholder's advances capitalization, Hutchison's shareholding in Hutchison 3G Italia was further increased to 88.7%.

Hutchison's partners are from a cross section of key Italian media, finance and conglomerate companies. These shareholders provide solid support across the Italian business community of Hutchison 3G Italia and are complementary to the experience and financial strength of Hutchison. Hutchison's partners in the Hutchison 3G Italia consortium are NHS Investments S.A., a San Paolo IMI Group company, one of the leading Italian banking groups; Bernabe Mobile Investments 2 S.A., an Italian private equity group; CIRtel International S.A., an industrial holding company; HdP S.p.A., an industrial holding company, assisting with content acquisition for 3G services through its shareholding in the RCS Group; Gemina S.p.A., one of Italy's most important industrial holding companies; and Tiscali, one of the major European Internet service and portal providers. In addition, Hutchison is currently in arbitration with its joint venture partner CIRtel over whether a €373.2 million (HK$2,900 million) payment by CIRtel to H3G Italia constituted a shareholder loan or a capital contribution. To date, this dispute has not been resolved. See "Business — Legal Proceedings — CIRtel Arbitration".

H3G Italia has fully paid the license fee of €3,254 million (approximately HK$21,200 million) using proceeds received from equity funding from its shareholders. The license permits H3G Italia to use 15 MHz of paired radio spectrum and 5 MHz of unpaired radio spectrum for 15 years from January 1, 2002 which has been extended to 20 years by the Italian government. The license also allows H3G Italia to own and operate a radio communications network to provide 3G mobile telecommunications services using the UMTS/IMT-2000 standard. Under the terms of the license, H3G Italia is required to rollout and maintain its network so as to cover all the regional capitals in Italy by June 30, 2004, and all the provincial capitals in Italy by January 1, 2007.

Like Hutchison 3G UK, H3G Italia does not have a legacy GSM system to support, thus allowing H3G Italia to focus solely on offering its 3G services. H3G Italia chose Ericsson and Siemens-NEC as technological partners for the building of its UMTS network. Ericsson is building the core network and 45% of the radio access network. The remaining 55% of radio access network is being built by Siemens-NEC. H3G Italia has signed an agreement with TIM S.p.A. ("TIM") for domestic roaming. The agreement will allow H3G Italia to offer its customers GSM and GPRS services using the TIM network in areas not covered by the H3G Italia UMTS network. The agreement also provides for direct interconnection between the two networks and for the first agreement for sharing of UMTS cell sites in Italy. In addition, H3G Italia has signed international roaming agreements with 69 countries. As an example of key content rights being acquired for the 3G offering, H3G Italia has secured the exclusive mobile rights to content and data relating to 11 top Italian soccer teams and is continuing to increase the number of content offerings to improve the service.

In November 2002, a media campaign to introduce the **3** brand commenced. In December 2002, the first **3** branded store in Italy was opened in Milan. Flagship **3** stores and other distribution outlets have been opened since January 2003. Currently, H3G Italia has a network of 16 flagship stores, 155 franchised stores and around 1,700 dealers. Although the provisions of the license required only 10% population coverage at launch, H3G Italia has already achieved over 3,600 cell sites and 50% population coverage and approximately 100% of the population via a roaming agreement with TIM. At the end of August 2003, H3G Italia had about 300,000 subscribers. H3G Italia will now continue to improve the network by rolling out and integrating further base station sites with additional core network expansion.

The business plan prepared by H3G Italia for its syndicated debt facility calls for capital expenditures of at least €4,000 million (approximately HK$31,000 million) for the build-out of the Italian 3G business through 2005. Hutchison 3G Italia secured a €5,200 million financing package in mid 2002 to fully fund capital expenditure for the 3G network build-out, operating expenditure and working capital. The transaction has been structured in a €3,200 million bank tranche provided by seventeen banks, a €1,000 million tranche provided by mobile telecommunications equipment suppliers, and €1,000 million tranche of convertible subordinated debt supported by Hutchison.

Austria

In November 2000, Hutchison 3G Austria GmbH ("Hutchison 3G Austria"), a wholly owned subsidiary of Hutchison, acquired one of six licenses to operate a national 3G network in Austria for a fee of €139 million (approximately HK$930 million) which has been fully paid. The license expires on December 31, 2020 and permits Hutchison 3G Austria to use 10 MHz of paired radio spectrum and 5 MHz of unpaired radio spectrum for the duration of the license and to build, own and operate a radio communications network to provide 3G mobile communications services using the UMTS/IMT-2000 standard in the entire territory of Austria. Under the terms of the license, Hutchison 3G Austria is required to rollout and maintain its network to provide 3G services on a commercial basis so as to cover an area where at least 25% and 50% of the total Austrian population lives by December 31, 2003 and December 31, 2005, respectively. On both a cost per megahertz and a cost per population basis, the license was substantially less than the cost of the licenses in the UK and Italy.

Currently, there are over 780 Hutchison 3G Austria's 3G cell sites constructed and integrated, covering over 35% of population including major cities like Vienna, Graz, Innsbruck and Linz. A national roaming agreement is in place with Mobilkom, offering approximately 98% population coverage. In mid-April 2003, Hutchison 3G Austria opened its web shop and at the beginning of May 2003, 10 stores were opened in the 3 major metropolitan areas of Austria and sales of a promotional package to customers commenced. Offering of service commenced in May 2003 and currently there is a network of over 500 owned and third party retail points-of-sale selling the 3G services.

Ireland

In June 2002, Hutchison 3G Ireland Limited ("Hutchison 3G Ireland"), a wholly owned subsidiary of Hutchison, was awarded one of three licenses to operate a national 3G network in the Republic of Ireland. The license authorizes Hutchison 3G Ireland to use 15 MHz of paired spectrum for 20 years to provide 3G services. The total Spectrum Access Fee for the license is €50.7 million (approximately HK$390 million), of which an initial installment of €12.7 million (approximately HK$98 million) has been paid. An additional €2.5 million (approximately HK$19 million) per annum is payable in years 6 to 10 and €5.1 million (approximately HK$39 million) per annum is payable in years 11 to 15.

Additional 3G spectrum will be made available to Hutchison 3G Ireland if Mobile Virtual Network Operator access is offered under certain conditions, and additional 2G spectrum will be made available on an as needed basis. Under the terms of the license, Hutchison 3G Ireland is required to achieve a minimum of 53% demographic coverage by December 31, 2005 and 80% demographic coverage by December 31, 2007. Management and shareholders believe that cost savings and synergies can be achieved with the combination of the UK and Ireland network rollout and operations, to the extent permitted by local regulatory requirements. Hutchison 3G Ireland announced limited service offering in October 2003 and is expected to roll out further services in 2004.

Sweden

In December 2000, Hutchison's 60% owned subsidiary, HI3G Access AB ("HI3G Access"), acquired a license to operate a national 3G network in Sweden which provides for 15 MHz of paired spectrum and 5 MHz of unpaired spectrum until December 31, 2015. Under the terms of the license, HI3G Access is required to achieve approximately 100% population coverage by December 31, 2003. The license was awarded after a government assessment of the merits of the applicants and no license fee is payable by HI3G Access. Hutchison's partner in this venture is Investor AB which has a 40% interest, and is the largest diversified industrial holding company in Sweden.

The development of the 3G network in Sweden is progressing as expected and currently the network covers most of the major cities. HI3G Access has entered into agreements with Birka Energi, Vattenfall, Orange Sweden, Vodafone Sverige, Telia Mobile, Teracom and Banverket on placement of HI3G Access antennas and other equipment on masts, power poles and in transformer stations. In January 2003, an agreement was entered into with Vodafone to permit HI3G Access subscribers to roam onto the Vodafone GSM network in areas of Sweden where HI3G Access lacks coverage. As a means of reducing network rollout costs, HI3G Access has formed a joint venture company with Orange Sverige AB and Vodafone Sverige AB for the construction and operation of UMTS infrastructure through 3G Infrastructure Services AB, an equally owned joint venture company currently constructing UMTS network that is planned to cover up to 70% of the total population of Sweden. Orange SA has subsequently announced its intention to withdraw from the Swedish market for UMTS and accordingly, requested to exit from the joint venture company. The formalities and conditions for such a dissolution of the joint venture company are currently being discussed among the owners. As examples of key content rights being acquired for the 3G offering, HI3G Access has announced sponsorship of Swedish football and ice hockey that will allow HI3G Access customers to receive match clips, pictures and other content through their 3G devices. HI3G Access commenced the sales of 3G services in June 2003 and currently there are over 195 owned and third party retailers selling its 3G services.

Denmark

In September 2001, HI3G Denmark ApS ("HI3G Denmark"), a wholly owned subsidiary of HI3G Access (a joint venture between Hutchison (60%) and Investor AB (40%)), acquired one of four licenses to operate a national 3G network in Denmark for a fee of approximately 950 million Danish Kroner (approximately HK$920 million), of which approximately 237 million Danish Kroner has been paid and approximately 713 million Danish Kroner is payable in annual installments over 10 years. The license authorizes HI3G Denmark to use 15 MHz of paired spectrum and 5 MHz of unpaired spectrum for 20 years.

Under the terms of the license, HI3G Denmark is required to achieve a 30% population coverage by December 31, 2004 and an 80% population coverage by December 31, 2008. The development of the 3G network in Denmark is progressing well. Network design and vendor selection has been finalized. The management and shareholders of HI3G Access AB and Investor AB believe significant cost savings and synergies can be achieved with the combination of the Swedish and Danish network rollout and operations, to the extent permitted by local regulatory requirements. HI3G Denmark commenced a limited service in October 2003 and is expected to roll out further services in 2004.

Norway

In September 2003, HI3G Access Norway AS ("HI3G Norway"), a wholly owned subsidiary of HI3G Access AB, was awarded a 12 year license, to offer 3G services in Norway for a consideration of 62 million Norwegian Kroner. Under the terms of the license, HI3G Norway is required to provide at least 30% of the Norwegian population with 3G coverage within six years.

Other Locations

In August 2000, a joint venture in which Hutchison held a 50% interest successfully negotiated for a 3G license in Germany. Hutchison subsequently sold its interest in this entity to the other joint venture partners at cost, following its determination not to enter the German 3G market in this manner.

Hutchison's 2G Networks and Other Operations

Hutchison intends to capitalize on its experience as a network operator to compete for and capture attractive growth opportunities, on a selective basis, in less developed telecommunications markets globally while maintaining a prudent financial position. Hutchison does not expect to develop 3G networks in such markets in the near future.

India

Hutchison's Indian telecom interests currently consist of approximately 49% direct holdings, plus management participation, in Hutchison Max Telecom Private Ltd., Hutchison Essar Telecom Limited (formerly Sterling Cellular Limited), Fascel Limited, Hutchison Essar South Limited (formerly Barakhamba Sales and Services Private Limited) and of approximately 32.5% direct holdings, plus management participation, in Hutchison Telecom East Limited (formerly Usha Martin Telekom Ltd.), mobile cellular services operators in Mumbai, Delhi, Kolkata, Chennai and the states of Gujarat, Karnataka and Andhra Pradesh.

In January 2003, Hutchison has also entered into an agreement to buy the fourth GSM license in Punjab from Escorts Telecommunications Limited and regulatory approvals to commence operations were received in November 2003. As of June 30, 2003, the combined Indian operations had a total of approximately 2,600,000 subscribers, an increase of 73% over the same period in 2002. In August 2003, the states of Rajasthan, Uttar Pradesh East and Haryana were added to the Indian businesses with the completion of the acquisition of Aircel Digilink India Limited by Hutchison Telecom East Limited, an affiliate of Hutchison.

Sri Lanka

In August 1997, Hutchison purchased 100% of Lanka Cellular Services (Pvt) Ltd., which holds one of four nationwide cellular licenses in Sri Lanka. The deployment of the analog network from Hong Kong has been completed and the network was launched in the second quarter of 1999. A digital GSM network is currently under construction. As of June 30, 2003, Lanka Cellular had approximately 57,000 subscribers.

Africa

In June 1998, Hutchison acquired an 80% interest in Celltel Ltd., an analog network operator in Ghana, which has a nationwide cellular license. Hutchison has deployed analog equipment and a subscriber base is being built.

Argentina

At the end of 1999, Hutchison acquired a 90.05% interest in Compania del Sur S.A. in Argentina, which was renamed Hutchison Telecommunications Argentina S.A. ("Hutchison Telecom Argentina") in 2001. Hutchison Telecom Argentina launched its fixed wireless telephony service in the second quarter of 2001 and had over 45,000 subscribers as of June 30, 2003.

Paraguay

In the fourth quarter of 2000, Hutchison acquired 100% of Comunicaciones Personales S.A. in Paraguay, which was renamed Hutchison Telecom Paraguay S.A. ("Hutchison Telecom Paraguay") in June 2001. Hutchison Telecom Paraguay is building a GSM network on 1900 MHz spectrum. Hutchison Telecom Paraguay launched its network in March 2001 and had over 23,000 subscribers as of June 30, 2003.

Thailand

In October 2000, Hutchison acquired a 31.85% interest in Tawan Mobile Telecom Co. Ltd. in Thailand, which was renamed Hutchison CAT Wireless MultiMedia Ltd. ("HCWM") in August 2001. HCWM has been granted a 15-year concession to provide CDMA services in central Thailand. Services on its CDMA - 1X network in the greater Bangkok area commenced in February 2003. In October 2003, Hutchison increased its interest in HCWM to 35.48% through capital injection.

Past Investments

In 1998, Hutchison acquired a 19.9% interest in VoiceStream in the US for US$248 million (approximately HK$1,934 million). In 1999 and early 2000, Hutchison made further common and preferred stock investments in VoiceStream for an aggregate of US$957 million (approximately HK$7,465 million) to support VoiceStream's merger with Omnipoint Corporation in the first half of 2000. In May 2001, the merger between VoiceStream and Deutsche Telekom, Europe's largest telecommunications carrier, was completed. Under the terms of the merger agreement, Hutchison received cash of approximately US$885 million and acquired 206,652,923 ordinary shares of Deutsche Telekom representing an approximately 4.9% equity interest and thereby recording a profit of HK$30,000 million.

Fixed Line Operations

Hutchison Global Communications, which provides fixed line services on its fiber optic fixed line network in Hong Kong, intends to build on its position as the largest full service alternative fixed line operator in Hong Kong and offer high quality broadband services to high volume customers, including multinational corporations, government bodies, and other telecommunication operators. This will provide the foundation for Hutchison Global Communications to pursue fixed line opportunities in other areas, including the Mainland when that region is opened to foreign telecommunications operators.

Hong Kong

Fixed Line Industry Overview

In June 1995, as part of the liberalization of the telecommunications industry, OFTA granted licenses to operate fixed wireline telecommunications network services ("FTNS") licenses to Hutchison Global Communications Limited (then known as Hutchison Communications Limited), New T&T Hong Kong Limited and New World Telephone Company Limited as competitors to PCCW Limited. The Hong Kong government has gradually allowed additional competition in the international telecommunications services market. Prior to January 1999, all international calls were required to pass through PCCW Limited's international gateway. Effective January 1999, all FTNS license holders had their licenses extended to include an External Telecommunications Service, or ETS, License ("external" telecommunications are operations that provide service into, or out of, Hong Kong). An ETS license provides its holder with the right to lease international private circuits from PCCW Limited at market rates and to resell that circuit capacity to third parties for the operation of international call services over such circuits. The Hong Kong government has also granted ETS licenses to a number of other entities and, as of June 30, 2003, about 220 companies had been issued ETS licenses. Effective January 2000, the Hong Kong government has also extended to all FTNS license holders, International Gateway Facilities, or IGF, or External FTNS licenses. An IGF or External FTNS license allows an operator to own and/or operate infrastructure, such as undersea cables, facilities and satellites, that will allow for the direct placing of international calls independent of PCCW facilities. In 2003, the Hong Kong government enables new applications for FTNS licenses and as of June 30, 2003, a total of 4 new FTNS licenses have been granted.

Operations

Hutchison Global Communications completed the Hong Kong territory-wide fiber optic backbone of its fixed line network in 1999. As of June 30, 2003, Hutchison Global Communications is a major provider of telecommunications services and had over 10% market share in Hong Kong. In addition, Hutchison Global Communications provides international call and international bandwidth services.

In January 2000, Hutchison sold to Global Crossing a 50% interest in its fixed line business which was renamed Hutchison Global Crossing Ltd. ("Hutchison Global Crossing"). As consideration for the purchase, Global Crossing provided to Hutchison Global Crossing a US$200 million (approximately HK$1,560 million) credit to use Global Crossing's international capacity, US$150 million (approximately HK$1,170 million) of technology and commercial expertise to be used by Hutchison Global Crossing in setting up a data center in Hong Kong and US$50 million (approximately HK$390 million) in cash. Global Crossing also paid to Hutchison US$400 million (approximately HK$3,111 million) in the form of a bond convertible into shares of Global Crossing. In October 2000, Asia Global Crossing Ltd. ("Asia Global Crossing"), a majority owned subsidiary of Global Crossing, completed an initial public offering. In connection with the initial public offering, Softbank Corp. ("Softbank") and Microsoft Corporation ("Microsoft") each purchased 19% of Global Crossing's interest in Hutchison Global Crossing. Concurrently, Softbank, Microsoft and Global Crossing contributed all of their respective interests in Hutchison Global Crossing to Asia Global Crossing. In May 2002, Hutchison repurchased the 50% interest in Hutchison Global Crossing, the 42.5% interest in ESDlife and the 50% interest in Hutchison GlobalCenter held by Asia Global Crossing for a total consideration of US$120 million in cash. Hutchison Global Crossing was then renamed Hutchison Global Communications.

The Mainland

In October 2000, Hutchison Global Communications established a Guangzhou — Shenzhen — Hong Kong Synchronous Digital Heirarchy ("SDH") ring connecting China Telecom's fixed-line network in the Mainland to Hutchison Global Communications' fiber optic network in Hong Kong. Through the direct interconnection, Hutchison Global Communications can link businesses with operations in both the Mainland and Hong Kong, at competitive prices.

Other Locations

On August 9, 2002, Hutchison, through its wholly owned subsidiary HTL, and Singapore Technologies signed an agreement (the "Purchase Agreement") to each invest US$125 million (approximately HK$975 million) for a 30.75% interest in Global Crossing as newly constituted, subject to regulatory and other conditions precedent including certain operating and financial targets being achieved. Global Crossing and certain of its affiliates are currently subject to bankruptcy proceeding in the United States and Bermuda. On April 30, 2003, HTL withdrew the proposed acquisition of any interest in Global Crossing by terminating its rights and obligations under the Purchase Agreement. HTL decided to withdraw as it had not been possible to reach agreement on an appropriate structure that was fully satisfactory to all the parties concerned within a reasonable investment time frame. Global Crossing was also not considered as core to Hutchison's global telecommunications strategy. As a result, Hutchison's investment in Global Crossing's convertible shares of US$400 million (approximately HK$3,111 million) was written off in the six months ended June 30, 2003.

E-Commerce Operations

Hutchison's e-commerce operations invest in and operate e-commerce joint ventures which seek to leverage the Internet-related opportunities presented by Hutchison's core businesses and other businesses. Hutchison has formed alliances with a number of strategic partners to invest in e-commerce opportunities. These operations, which are continuing to build their businesses, include:

- TOM.COM (24.7% interest) — a leading Chinese-language media group, which is listed on the GEM of the SEHK and operates in four media sectors: online, outdoor, publishing and sports and entertainment in the PRC and Taiwan;

- bigboXX.com (100% interest) — an office supplies procurement portal for business corporations in Hong Kong, which was launched in July 2000;

- Hutchison-Priceline (84% interest) — an alliance between Hutchison and priceline.com of the US (in which Hutchison has a 15.5% equity interest), introduces priceline.com's "Name Your Own Price" business model to Asia for products such as air tickets, hotels and holiday packages. The internet booking service was launched in Hong Kong and Singapore in April and May 2002, respectively;

- ESD*life* (85% interest) — a joint venture company held by Hutchison and Hewlett-Packard which won the contract to provide electronic service delivery for the Hong Kong government in November 1999. Such services enable users to conduct a wide variety of online transactions with various Hong Kong government services and related commercial transactions. Services were launched in December 2000; and

- Hutchison GlobalCenter (100% interest) — a 40,000 square foot data center in Hong Kong which offers global connectivity, IT solutions, data management and Internet services such as IP networking, infrastructure management, applications, equipment services and security. The data center was launched in November 2000.

Property and Hotels

As of June 30, 2003, Hutchison maintained a portfolio of approximately 15.7 million square feet of long-term property holdings for rental in Hong Kong, the Mainland and Japan, consisting of office buildings, retail shops in commercial complexes, industrial buildings, hotels and residential units. Gross rentals from Hutchison's investment properties were HK$2,183 million in 2000, HK$2,239 million in 2001, HK$2,438 million (US$313 million) in 2002 and HK$1,137 million (US$146 million) in the six months ended June 30, 2003.

Hutchison acts as a developer of residential, commercial, office, hotel and recreational projects, principally in Hong Kong and the Mainland and revenues from sales of Hutchison's development properties, including its share of revenues of associates were HK$3,552 million, HK$997 million and HK$5,294 million (US$679 million) in 2000, 2001 and 2002 respectively, and HK$1,317 million (US$169 million) in the six months ended June 30, 2003. In the past, Hutchison redeveloped long-held properties in Hong Kong, formerly used for dockyards and other facilities, into residential developments targeted for sale to middle-income families. Hutchison also entered into joint ventures with Cheung Kong Holdings in connection with major property development projects. The number of properties under development in Hong Kong has declined since 1999; however, Hutchison has increased its development activity in the Mainland. Hutchison's current policy is to retain its office buildings and major commercial areas of its property development projects and hotels as long-term holdings in order to increase its base of recurrent rental income. Hutchison also seeks to replenish its landbank during periods when it believes that there has been a downturn in Hong Kong land prices.

In the Mainland, Hutchison entered into joint ventures with local Chinese partners to build its development properties. Hutchison believes that it is being conservative in the expansion of its property development operations in the Mainland by concentrating its activities in areas of high demand where it has an understanding of the market. Hutchison seeks to fund its property development activities in the Mainland with bank loans at attractive interest rates and the remaining funding requirements are sourced from cash on hand and cash from consolidated operations.

Hutchison also manages investment properties and development activities for Hutchison and certain of its associated companies and jointly controlled entities and owns and operates hotels in Hong Kong, the Mainland and the Bahamas.

The Hong Kong Property Market

Property Rights and Government Policies

Hong Kong consists primarily of Hong Kong Island, Kowloon Peninsula and the New Territories, and has a total land area of approximately 414 square miles. Virtually all land in Hong Kong is effectively owned by the Hong Kong government. Land held by private parties is generally leased from the Hong Kong government under long-term leases. Such leases are for a nominal annual rent. The lessee of the Hong Kong government lease is commonly referred to as the owner of the leased property.

The Hong Kong government has historically engaged in large scale reclamation of land which, when released for development, has significantly increased the supply of land for development in Hong Kong. The Hong Kong government has still not released all of the land created by the recent reclamation in connection with its new airport railway project. The Hong Kong government is currently considering, among other reclamation projects, a large scale reclamation project in conjunction with the redevelopment of the site of the former Kai Tak International Airport in Kowloon.

Prior to June 30, 1997, the amount of land released by the Hong Kong government to third parties was limited to 50 hectares (approximately 5,382,000 square feet) per year. After July 1, 1997, the Hong Kong government removed such limit and adopted additional policies designed to increase the supply of land and housing available in Hong Kong. After the significant deterioration of the property market in 1997 and early 1998, the Hong Kong government announced on June 22, 1998 that it would cease to release new land until March 31, 1999. In April 1999, the Hong Kong government resumed the release of new land after a nine month moratorium.

In November 2002, a set of nine measures were announced by the Hong Kong government in an attempt to revive Hong Kong property market: (1) suspend all public land auctions until end of 2003; (2) suspend property development tenders from Kowloon-Canton Railway Corp and Mass Transit Railway Corp until end of 2003; (3) cease Home Ownership Scheme indefinitely from 2003; (4) cancel sales of public rental flats; (5) stop all mixed development projects under Housing Authority and Housing Society; (6) continue with government housing loan scheme; (7) continue construction of public rental flats; (8) relax tenancy laws and (9) relax anti-speculation measures.

Property Rentals and Values

Property values and rental rates in Hong Kong have historically been cyclical in nature. Hong Kong rental rates and property values for office space increased to cyclical peaks during 1993 and the first half of 1994 and subsequently decreased considerably before stabilizing towards the end of 1995 and early 1996. In the latter part of 1996 and the first half of 1997, property prices increased and reached a new peak. Property prices have been on a decline since 1998.

Office

The tables set forth below provide information on new supply, take-up, vacancy and vacancy rates of office property for the years from 1993 to 2002.

All-Grades Office — Supply, Take-Up, Vacancy and Vacancy Rate (net area in thousands of square feet)[(1)]

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
New supply within the year . .	4,444	5,403	3,820	2,894	4,907	7,930	4,595	1,022	818	1,786
Take-up within the year	5,778	2,303	3,637	1,679	3,379	2,733	5,391	4,562	32	2
Vacancy at year end	4,616	7,244	7,285	8,866	9,738	14,773	13,525	9,985	10,889	12,643
Vacancy rate at year end (%).	6.7	9.8	9.4	11.2	11.5	15.9	14.0	10.2	11.1	12.6

(1) All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong government.

Completion of Grade A office space was low in 2000 and 2001. Forecast completions in 2003 and 2004 are expected to rise considerably.

Grade A Office[(1)] — Supply, Take-Up, Vacancy and Vacancy Rate (net area in thousands of square feet)[(2)]

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
New supply within the year . .	2,044	3,550	2,389	1,410	3,637	6,833	3,691	678	656	1,259
Take-up within the year	3,949	968	3,131	1,334	2,830	2,496	4,670	3,088	570	22
Vacancy at year end	1,829	4,272	3,519	3,798	4,390	8,694	7,198	4,799	4,853	6,090
Vacancy rate at year end (%).	4.8	10.3	7.9	8.3	8.8	15.3	12.9	8.7	8.7	10.8

(1) Grade A office is an office which is modern with high quality finishes, flexible layout, large floor plates, spacious lobbies and circulation areas, effective central air conditioning, good lift service zoned for passengers and goods deliveries, good management and parking facilities normally available.

(2) All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong government.

Commercial

The table set forth below provides information on new supply, take-up, vacancy and vacancy rates of commercial properties for the years from 1993 to 2002.

Commercial — Supply, Take-Up, Vacancy and Vacancy Rate (net area in thousands of square feet)[(1)]

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
New supply within the year . .	2,837	2,682	2,227	1,302	2,679	2,238	2,206	689	1,420	1,485
Take-up within the year	764	1,001	947	527	1,582	1,313	2,034	2,066	398	-1,184
Vacancy at year end	5,176	5,875	6,811	8,113	8,210	8,899	8,866	7,263	8,081	10,663
Vacancy rate at year end (%).	5.1	6.8	7.8	9.1	8.9	9.4	9.2	7.5	8.2	10.7

(1) All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong government.

Residential

The table set forth below provides information on new supply, take-up, vacancy and vacancy rates of residential properties for each year from 1993 to 2002.

Residential Units — Supply, Take-Up, Vacancy and Vacancy Rate (number of units)[(1)]

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
New supply within the year . .	27,670	34,170	22,620	19,870	18,200	22,280	35,320	25,790	26,260	34,040
Take-up within the year	27,320	23,250	24,710	20,480	15,090	13,050	19,560	29,180	19,320	19,930
Vacancy at year end	32,240	40,710	36,200	34,050	35,980	43,820	59,140	54,950	60,410	74,200
Vacancy rate at year end (%).	3.9	4.7	4.1	3.7	3.8	4.5	5.9	5.4	5.7	6.8

(1) All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong government.

Rental Properties

Hong Kong

As of June 30, 2003, Hutchison owned and maintained a portfolio of approximately 12.7 million square feet (including 1.8 million square feet occupied by Hutchison tenants) of commercial, office, industrial and residential properties for rental in Hong Kong. These properties are currently, and have been for the last three years, substantially fully rented. Hutchison's rental properties include interests in Hutchison House, Aon China Building and Cheung Kong Center office buildings located in the Central district of Hong Kong. Hutchison and Cheung Kong Holdings currently have their headquarters in Hutchison House and Cheung Kong Center, respectively. Cheung Kong Center is one of Hong Kong's most modern and technologically advanced office buildings. The tenants are generally multinational organizations, predominantly financial institutions, including Goldman Sachs, Deutsche Bank, ABN Amro Bank and Dresdner Bank.

The following table summarizes certain information as of June 30, 2003 with respect to Hutchison's properties held for rent in Hong Kong.

Rental Properties — Hong Kong

Rental Properties	Year Completed	Percentage Interest	Group's Share of Total Gross Floor Area for Rent
			(in thousands of square feet)
Office			
Hutchison House	1974	100%	504
Aon China Building	1978	100	259
Harbourfront Office Towers I and II	1994	100	863
Cheung Kong Center	1999	100	1,254
The Metropolis Tower	2001	50	126
Others	Various	Various	139
			3,145
Commercial			
Whampoa Garden Sites 1-12	Various	100%	1,714
Aberdeen Centre	1982	100	345
Provident Centre	1984	100	210
Belvedere Garden Phases 1 and 3	1987/1991	100	153
Belvedere Garden Phase 2	1989	65	120
The Metropolis Mall	2001	50	181
Others	Various	Various	418
			3,141
Industrial			
Watson Centre	1978	100%	687
Kwai Chung Industrial Building	1980	100	101
Watson House	1982	100	281
Cavendish Centre	1984	100	343
Food Distribution Depot	1991	100	142
Hong Kong International Distribution Centre	1992	88	4,705
Others	Various	Various	76
			6,335
Residential	Various	Various	102
Total			12,723

The following table sets forth Hutchison's gross rental income and gross floor area of Hutchison's investment properties in Hong Kong for each of the periods as indicated.

Rental Income — Hong Kong

	Year Ended December 31,			Six months Ended June 30,	
	2000	2001	2002	2002	2003
Gross Rental Income (in HK$ millions)					
Office	HK$ 892	HK$ 902	HK$ 828	HK$ 437	HK$ 355
Commercial	667	670	695	350	345
Industrial	510	471	467	235	219
Residential	23	30	27	14	13
Total	HK$ 2,092	HK$ 2,073	HK$ 2,017	HK$ 1,036	HK$ 932
(rental income from Hutchison tenants included above)	HK$ 300	HK$ 286	HK$ 286	HK$ 151	HK$ 121
Gross Floor Area (in thousands of square feet)					
Office	3,039	3,039	3,144	3,039	3,145
Commercial	2,930	2,930	3,146	2,930	3,141
Industrial	6,287	6,287	6,335	6,287	6,335
Residential	102	105	103	105	102
Total	12,358	12,361	12,728	12,361	12,723
(floor area occupied by Hutchison tenants included above)	1,661	1,927	1,803	1,927	1,803

The following table sets forth the occupancy rate and the average effective monthly rental for Hutchison's office, commercial, industrial and residential spaces in Hong Kong as of the dates indicated. Due to the rent adjustment mechanisms of existing leases for Hutchison's properties in Hong Kong, the average rental rate in the table below has not yet fully reflected a significant decrease in market rentals due to the downturn in the property market. In the near term, as a greater portion of tenants' current lease terms come up for renewal and the tenants are entitled to have their rent adjusted to current market rates, the average rental rate for Hutchison's properties in Hong Kong, will decline. See "— Tenants — Hong Kong".

Occupancy and Effective Monthly Rent — Hong Kong

	Year Ended December 31,			As of June 30,	
	2000	2001	2002	2002	2003
Occupancy Rate					
Office	100%	98%	97%	98%	96%
Commercial	97	98	97	97	93
Industrial	99	99	97	98	99
Residential	96	86	89	85	92
Average Effective Monthly Rental[1] (in HK$)					
Office	HK$ 29	HK$ 29	HK$ 27	HK$ 29	HK$ 24
Commercial	21	22	22	22	22
Industrial	6	6	6	6	6
Residential	25	27	25	27	24

(1) Total lease rental divided by the total number of months in the lease period, including rent free months, divided by the number of lettable square feet.

Set out below is a brief description of each of Hutchison's principal rental properties in Hong Kong.

Hutchison House. Hutchison House is a 22-story, Grade A office building located in the Central district of Hong Kong. Hutchison has its headquarters in the building, which is 100% owned by Hutchison. The building, originally constructed in 1974, comprises approximately 504,000 square feet of office and commercial space. Long term tenants include Ernst & Young, Baker & McKenzie and HSBC Broking Services (Asia) Ltd., each of which has been a tenant since at least 1990. As of June 30, 2003, Hutchison House had an occupancy rate of 100%.

Aon China Building. Aon China Building is a 23-story, Grade A office building located in the Central district of Hong Kong, which is 100% owned by Hutchison. Aon China Building, constructed in 1978, comprises approximately 259,000 square feet of office and commercial space. Cheung Kong Holdings previously had its headquarters in the building before it moved into the Cheung Kong Center in January 1999. Other long-term tenants also moved from office space in Aon China Building into Cheung Kong Center. As of June 30, 2003, Aon China Building had an occupancy rate of 95%.

Harbourfront Office Towers. Harbourfront Office Towers are 23-story, Grade A twin office towers located at the site of Hutchison's former distribution center adjacent to Whampoa Garden in Hung Hom, East Kowloon, which is 100% owned by Hutchison. The towers comprise approximately 863,000 square feet of office space and were completed in 1994. In addition, the towers have a total of 214 carparking spaces. Principal tenants in the buildings include STAR Television, Citibank and Hutchison Telecom. As of June 30, 2003, the towers had an occupancy rate of 99%.

Cheung Kong Center. Cheung Kong Center, located in the Central district of Hong Kong, is a 1.25 million square foot Grade A office tower and public carpark. Cheung Kong Center is one of Hong Kong's most modern and technologically advanced office buildings. The office tower, which is comprised of 62 stories, was completed in March 1999. Hutchison has a 100% interest in this project and the office tower is being held for long term investment. As of June 30, 2003, Cheung Kong Center had an occupancy rate of 93%.

Whampoa Garden. Whampoa Garden, completed in 1991, consists of 88 16-story residential towers on 12 sites located on the former Hung Hom dockyards in East Kowloon. Hutchison sold the residential units and retained a 100% interest in the commercial complex which, with approximately 1.7 million square feet of commercial space, is one of Hong Kong's largest shopping complexes and has become a leading commercial center in East Kowloon. Approximately HK$280 million was spent for the phased renovation and upgrading of the commercial complex completed in 1998 to modernize and enhance the overall appearance of the shopping complex. Tenants include retailers such as Jusco Department Store, Wing On Department Store, Esprit Retail and UA Cinemas. Hutchison's retail chain stores, PARKnSHOP and Watsons Personal Care Stores, also occupy space in the complex. As of June 30, 2003, the complex had an occupancy rate of 95% for its commercial space.

Aberdeen Centre. Aberdeen Centre is a 345,000 square foot commercial complex located in Aberdeen on Hong Kong Island and was completed in 1982 and is 100% owned by Hutchison. Aberdeen Centre also has over 128 carparking spaces available for rental. As of June 30, 2003, Aberdeen Centre had an occupancy rate of 97%.

The Hongkong International Distribution Centre ("HIDC"). HIDC, located at the Kwai Chung container terminal in Kowloon, is one of the largest commercial/industrial complexes in Asia and was completed in 1992. HIDC comprises approximately 4.7 million square feet of office and warehouse area and has over 187 carparking spaces available for rental. Hutchison has an 88% interest in HIDC. As of June 30, 2003, the complex had an occupancy rate of 99%.

The Mainland and Japan

As of June 30, 2003, Hutchison's joint ventures in the Mainland and Japan had a portfolio of investment properties totaling 9.6 million square feet, of which Hutchison's share is 2.9 million square feet. The portfolio includes:

- Metropolitan Plaza, a development comprised of an office tower and hotel tower above a commercial podium in Chongqing;
- Westgate Mall and Tower, a commercial podium and office tower, in Shanghai;
- Seasons Villas, a low rise residential development in Shanghai;
- Beijing Oriental Plaza, a multiphase development of commercial podium, office, hotel and serviced apartments in Beijing; and
- Pacific Century Place Marunouchi, an office and hotel development in Tokyo, Japan.

The following table summarizes certain information as of June 30, 2003 with respect to Hutchison's existing properties held for rent in the Mainland and Japan.

Rental Properties — The Mainland and Japan

Rental Properties	Year Completed	Percentage Interest	Group's Share of Total Gross Floor Area for Rent
			(in thousands of square feet)
Commercial and Office			
Metropolitan Plaza	1997	50%	756
Westgate Mall and Tower	1997	30	330
Beijing Oriental Plaza	2002	18	758
Pacific Century Place Marunouchi	2001	38	301
Others	Various	Various	44
			2,189
Residential			
Seasons Villas	2001	50%	517
Beijing Oriental Plaza, Serviced Apartments	2002	18	137
Others	Various	Various	89
			743
Total			2,932

The following table sets out Hutchison's gross rental income and gross floor area of Hutchison's joint venture investment properties in the Mainland and Japan for each of the periods as indicated.

Rental Income — The Mainland and Japan

	Year Ended December 31,			Six months Ended June 30,	
	2000	2001	2002	2002	2003
Gross Rental Income (in HK$ millions)					
Office	HK$ 15	HK$ 42	HK$ 151	HK$ 58	HK$ 112
Commercial	52	94	142	82	61
Residential	24	30	54	25	32
Total	HK$ 91	HK$ 166	HK$ 347	HK$ 165	HK$ 205
Gross Floor Area (in thousands of square feet)					
Office	513	1,158	1,262	1,263	1,262
Commercial	767	868	927	868	927
Residential	319	614	744	766	743
Total	1,599	2,640	2,933	2,897	2,932

Tenants

Hutchison seeks to maintain long-term relationships with high quality tenants and to maintain an appropriate balance in its mix of tenants. Hutchison believes that its tenant selection criteria and management of relationships has been fundamental in retaining its core tenants and sustaining its rental income base.

With respect to its investment properties, Hutchison competes with other major developers and complexes to attract commercial and office tenants and to draw customers to the retail outlets, restaurants and hotels in its developments. Hutchison competes for office tenants primarily based upon the quality and location of its buildings, its reputation as a building owner, the quality of its support services and the rent charged. Hutchison competes for commercial tenants primarily based on the location of its commercial centers and their ability to attract customers using a balanced mix of tenants.

Hong Kong

Hutchison's office space in Hong Kong is generally leased to multinational corporations and leading Hong Kong based corporations, the majority of which have long-term business relationships with Hutchison. Hutchison's commercial space is typically occupied by shops, banks, restaurants and department stores. Historically, the default rate of Hutchison's commercial tenants has been very low and has not increased significantly notwithstanding the recent economic downturn.

In accordance with practices in the Hong Kong property market, Hutchison's office leases are typically for three years, but in some cases are six, nine or twelve years in duration. Regardless of the duration of the lease term, the rent charged is generally adjusted every three years based upon market rates. Depending on market conditions, Hutchison grants rent-free periods and other tenant inducements in the original lease of office and commercial property. Residential leases are typically for two years and are renewed based upon market rates. Commercial leases typically extend for two to three years, but in some cases are six, nine or twelve years in duration. Hutchison's tenants are also charged a monthly management fee which covers building maintenance expenses, insurance and certain other costs. Tenants are also required to pay their utility charges and Hong Kong government rates.

The Mainland and Japan

In the Mainland, Hutchison's retail complexes continued to increase sales through the introduction of well known brand names and continued efforts to diversify their tenant mix by adding banks, restaurants, department stores and cinemas. Hutchison's shopping malls in the Mainland have become well known one-stop shopping and entertainment centers in cities including Shanghai and Chongqing. Hutchison competes with other developers in the Mainland with respect to office properties by providing tenants with prime property locations and highly IT enabled and state-of-the-art buildings. Hutchison aims to accommodate tenants from leading multinational companies and high-end PRC enterprises.

Hutchison targets the high-end residential market in the Mainland, including villas and serviced apartments which have high occupancy levels. Similar to Hong Kong, Hutchison charges tenants in the Mainland a monthly building service fee which covers maintenance and other expenses.

In Japan, Pacific Century Place Marunouchi in Tokyo, the office building has attracted tenants from multinational companies including Deloitte Touche Tohmatsu, Schroders Investment Management (Japan) and KPMG Consulting.

Property Management

Hutchison undertakes property management by providing professional day-to-day property management and maintenance services. Hutchison believes that its property management services complement and enhance the value and marketability of its investment and development portfolios. Hutchison provides management services for its properties in Hong Kong, including Hutchison House, Aon China Building, Whampoa Garden, Aberdeen Centre and South Horizons, and its properties in the Mainland. In addition to managing and maintaining Hutchison's investment properties, the estate management division provides building management services to residential complexes with over 32,000 households, covering over 30 million square feet of area.

Property Development

Overview

Hutchison has been a market leader in the creation of "garden city" developments in Hong Kong by redeveloping former dockyards, as well as industrial and warehouse sites. One of Hutchison's first garden city developments was Whampoa Garden, an estate of 88 residential towers containing more than 10,000 apartments and a commercial complex comprising approximately 1.7 million square feet, on the site of the former Hung Hom dockyards. It was completed in 1991 and has become the leading commercial center in East Kowloon. The development also includes schools, social centers, a public transport terminal and a recreational complex.

In 1994, Hutchison, jointly with Cheung Kong Holdings, completed Laguna City, a major garden city development in East Kowloon containing more than 6,500 apartments and comprising approximately 5 million square feet of residential space and approximately 186,000 square feet of commercial space. In addition, in conjunction with Cheung Kong Holdings and Hongkong Electric Holdings, in 1995, Hutchison completed the fourth and final phase of the South Horizons project, a garden city development located in Ap Lei Chau, Hong Kong. The development consists of 34 residential towers containing more than 9,800 apartments and comprises approximately 7.8 million square feet of residential area and approximately 360,000 square feet of commercial space.

Other major developments completed by Hutchison in Hong Kong include: Cheung Kong Center in Central, Harbourfront Office Towers in Hung Hom, Aberdeen Centre in Aberdeen and Provident Centre in North Point. For a description of the Cheung Kong Center, Harbourfront Office Towers and Aberdeen Centre, see "— Rental Properties — Hong Kong".

The following table sets forth certain information for Hutchison's residential development projects, including Hutchison's share of projects completed by its associates, for each of the periods as indicated.

Residential Development

	Year Ended December 31,									Six Months Ended June 30,	
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2002	2003
	(in thousands of square feet)										
Floor Area Completed	1,824	702	432	0	1,933	1,561	874	1,374	2,562	214	813
Floor Area Sold	1,416	869	615	1	1,688	1,861	864	918	1,869	111	821
Revenue from Residential Sales (in HK$ millions)	5,685	3,974	1,215	4	5,938	7,223	3,393	978	5,252	128	1,225

Market Cycles

Volatile interest rates, a general decline in business activity and decreased consumer confidence had a significant negative effect on the residential property market in the latter part of 1997, through 1998 and the early part of 1999. This downturn in the residential property market impacted Hutchison. During the period of increased property prices in 1997, Hutchison acquired interests in property developments of Harbourfront Landmark, Wan Hoi Street and Caribbean Coast Tung Chung. An exceptional provision of HK$750 million was made against Harbourfront Landmark in 1997 and further exceptional provisions of HK$750 million and HK$1,700 million were made against Harbourfront

Landmark and Caribbean Coast, respectively, in 1998. The oversupply of new flats in the market continues to exert downward pressure on residential property prices and a further provision on Caribbean Coast in Tung Chung and on the Metropolis, above the Kowloon-Canton Railway Terminus in Hung Hom, totaling HK$1,500 million was made in 2001.

Despite the downturn in the property market, Hutchison's residential sales program has not been significantly affected due to the small number of development projects scheduled for sale. In 1998, Hutchison successfully presold, at a profit, 3,500 units in Tierra Verde, its only significant development project scheduled for sale in that year. In 1999, the sales of Monte Vista and Peninsula Heights were launched and all of the units available have been sold. In 2001, pre-sale programs for Monterey Cove, the first phase in Caribbean Coast and the Victoria Towers were successfully launched and both projects were completed and substantially sold in 2002. In 2002, Harbourfront Landmark, a luxurious residential development was launched for sale with 40% of the units sold. In May 2003, Hutchison started selling residential units in its Rambler Crest development in Tsing Yi. Approximately 75% of the units have been pre-sold to date. The development is scheduled to be completed by end of 2003.

Current Development Properties

The following table summarizes Hutchison's current development properties divided by location and listed in the order of the year of actual and expected final completion.

Development Properties

Development Properties	Property Type	Total Gross Floor Area(1)(2)	Percentage Interest	Actual/ Expected Completion Date
Hong Kong				
Caribbean Coast,	Residential	146(3)	50.0%	2002
Tung Chung Station	Residential/Commercial	380	50.0	2004
Development	Residential	662	40.0	2004
	Residential	1,316	50.0	2005
	Residential	299	50.0	2006
	Residential	474	40.0	2006
Rambler Crest, Tsing Yi	Hotel/Serviced Suites/ Commercial	1,671	70.0	2003
Chong Yip Street	Office	128	63.9	2004
Tsing Yi Office	Office	362	89.0	2005
Harbourfront Extension	Office/Serviced Suites	205	100.0	2006
The Mainland				
Oriental Plaza, Beijing	Commercial/Hotel/Office/ Serviced Suites	6,060	18.0%	2003
Le Parc (Huangpu Yayuan) Futian, Shenzhen	Residential/Commercial	1,410(3)	50.0	2003
Seasons Villas, Shanghai	Residential	1,281(3)	50.0	2004
The Center/The Summit, Shanghai	Residential/Commercial	1,542(3)	50.0	2004
Dynasty Garden, Shenzhen Baoan	Residential	1,232	50.0	2004
Beverly Hills, Chongqing Jiangbei	Residential	774	50.0	2004

Development Properties	Property Type	Total Gross Floor Area[(1)(2)]	Percentage Interest	Actual/ Expected Completion Date
Huangsha Underground Railway Station Development, Guangzhou	Residential/Commercial	3,569	50.0	2005
Regency Park, Shanghai	Residential	1,727	50.0	2005
Shanghai Gubei	Residential/Commercial	1,685	50.0	2005
Yao Jia Yuan, Beijing	Residential/Commercial	3,969	42.8	2006
Horizon Cove, Zhuhai	Residential	3,746[(3)]	50.0	2007
Cape Coral, Guangzhou Panyu Dashi	Residential/Commercial	5,147	50.0	2007
Laguna Verona, Dongguan	Residential	11,075[(3)]	47.3	2015
Singapore				
Costa del Sol	Residential	1,496	24.0%	2003
Cairnhill Crest	Residential	440	50.0	2004
United Kingdom				
Albion Riverside	Residential/Commercial	392	45.0%	2003
Chelsea Harbour Phase 2	Residential	118	22.5	2006
Lots Road Power Station	Residential/Commercial	704	22.5	2010

(1) For UK projects, total net floor area.

(2) In thousands of square feet.

(3) Net of area sold.

With respect to its property development activities, Hutchison competes with a number of other developers, principally for the acquisition of suitable development sites. The supply of land available for development in Hong Kong is constrained by a number of factors, including topography and Hong Kong government land development policy. Land released for development by the Hong Kong government is usually sold at auctions.

Development Costs

Hutchison estimates that Hutchison's share of total development costs for 2003 to 2005 for properties under development, whether for investment or for sale, and scheduled to be completed by December 2005, will be approximately HK$10,985 million, of which approximately HK$6,018 million will be related to properties in the Mainland. Hutchison currently expects that the majority of these expenditures will be financed by cash flow from consolidated operations, presales of properties under development and, where appropriate, by external borrowing.

Project Management

Property developments undertaken and managed by Hutchison are coordinated and supervised by its professional project management team consisting of architects, engineers and quantity surveyors.

Hotels

Hutchison owns and operates hotels in Hong Kong, the Mainland and the Bahamas. Hutchison's ownership of hotels generally arises as an opportunity in connection with its major property development activities and other operations. Hutchison also considers, from time to time, hotel acquisitions in Hong Kong, the Mainland and other parts of the world. In order to consolidate and focus the management of its portfolio of existing hotels and hotels under development, Hutchison formed a 50/50 joint venture with Cheung Kong Holdings in January 1998 under the trade name Harbour Plaza Hotels and Resorts. This joint venture is responsible for the management of the majority of the hotels owned by Hutchison and/or Cheung Kong Holdings.

In November 2002, Hutchison entered into a management contract with Starwood Hotels & Resorts group, a US based, world leading hotel and leisure company, to manage Our Lucaya resort on Grand Bahama Island under the separate flags of "The Westin" and "Sheraton" and the group took over the management of the resort in February 2003.

The following table sets forth certain information with regard to Hutchison's hotels.

Hotel Properties

Hotels in Operation	Category	Average Occupancy Rate(1)	Room Inventory(2)	Percentage Interest	Year Opened
Sheraton Hotel and Towers Hong Kong	Five star	48.9%	780 rooms	39.0%	1974
Great Wall Sheraton Beijing	Five star	46.6	850 rooms	49.8	1984
Harbour Plaza Hong Kong	Five star	55.5 88.3	410 rooms 101 serviced suites	100.0	1995
Harbour Plaza Chongqing	Five star	41.0 93.1	392 rooms 28 serviced suites	50.0	1998
Our Lucaya Grand Bahama Island	Resort	39.2	1,271 rooms	100.0	1999
Harbour Plaza North Point Hong Kong	Four star	60.8 76.9	186 rooms 380 serviced suites	39.1	2000
Grand Hyatt Oriental Plaza Beijing	Five star(3)	42.1	591 rooms	18.0	2001
Harbour Plaza Metropolis Hong Kong	Four star	49.5 79.3	195 rooms 495 serviced suites	50.0	2002
Horizon Suites Hotel Hong Kong	Four star	35.2	831 serviced suites	49.0	2002

(1) Average occupancy rates for the six months ended June 30, 2003.

(2) As of June 30, 2003.

(3) Not officially rated.

Retail and Manufacturing

Hutchison has a long history in retail and manufacturing. AS Watson was founded in the 1800s as a small dispensary in the southern Chinese province of Guangdong known for providing free medicines to the poor. Under the Watson family, it quickly diversified into the production of distilled water as well as pharmaceutical and retailing operations. By the turn of the century, AS Watson had developed into a major trading force in Hong Kong, the Mainland and the Philippines with more than 100 retailing and dispensing branches. Because of its long history, the Watson name is well recognized in a number of countries in Asia. AS Watson became a wholly owned subsidiary of Hutchison in 1981.

Hutchison's strategy in its retail and manufacturing operations is to continue to build on its existing base in Hong Kong and internationally, through a policy of carefully managed growth, while tightly controlling costs. Hutchison believes that it can leverage the retail and manufacturing expertise gained in Hong Kong, the Mainland and Asia to expand and grow its retail and manufacturing operations in Europe, the Mainland and elsewhere in Asia. As customers become increasingly cost and quality conscious, Hutchison strives to provide customers with quality products at competitive prices. Hutchison currently operates retail businesses in Hong Kong, the Mainland, Taiwan, Singapore, Malaysia, Macau, Thailand, the Philippines, the UK, the Netherlands and several other European countries. Hutchison believes that significant benefits flow from the economies of scale inherent in operating an integrated retail organization throughout the world. Accordingly, the division is focused on managing growth in its existing sectors of retail and manufacturing expertise.

Retail

AS Watson operates the PARKnSHOP supermarket chain, the Watsons Personal Care Stores chain, the Fortress consumer electrical goods chain and the Watson's Wine Cellar chain in Asia. In April 2002, AS Watson expanded into the Philippines with the acquisition of a 60% interest in a retail chain of personal care, health and beauty and drug products, which had approximately 56 stores mainly located in Manila.In Europe, AS Watson operates Savers, a health and beauty chain in the UK. In October 2002, AS Watson acquired the Kruidvat Group, one of Europe's leading health and beauty retail businesses. Kruidvat had a store portfolio of 1,900 outlets operating under five retail chains in six European countries, which include the health and beauty retail chains of Superdrug in the UK, Kruidvat in the Netherlands and Belgium, Trekpleister in the Netherlands, Rossmann in Czech Republic, Poland and Hungary, and the perfumery chain of ICI Paris XL in the Netherlands and Belgium. As a result of this acquisition, AS Watson Group is now one of the largest health and beauty retail chain in terms of store numbers, and has significant buying and operational synergies across its retail businesses in Asia and Europe.

Nuance-Watson, a 50% joint venture with Nuance International Holdings Ltd., holds concessions for the airside sale of general merchandise in twelve outlets, perfume and cosmetics in eight outlets, luxury products in three outlets at the Hong Kong International Airport. These concessions expired in 2003 but were successfully renewed by Nuance-Watson for five years. Nuance-Watson was also awarded in 2003 five year concessions for the airside sale of audio-visual and electronic products in three outlets, specialty goods in two outlets plus four new luxury brand boutiques. In addition, in the first half of 2003, Nuance-Watson started operating a five year pharmaceutical and personal care products concessions for four outlets which was awarded in 2002. The joint venture also holds concessions for the airside sale of perfume and cosmetics in Terminals 1 and 2 of the Singapore Changi Airport.

AS Watson also owns Badaracco S.A., a Swiss wine trading company in Lugano, Switzerland.

AS Watson serves customers through approximately 3,300 retail outlets in thirteen countries. All store numbers stated in this section are as of June 30, 2003. All AS Watson's retail stores are rented, preserving the operational flexibility of the division.

The following table sets forth the number of retail outlets by location.

AS Watson — Number of Retail Outlets

	As of December 31,			As of June 30,	
	2000	2001	2002	2002	2003
Hong Kong					
PARKnSHOP (including Macau)	189	207	214	206	220
Watson's Wine Cellar	6	7	8	7	8
Watsons Personal Care Stores	124	130	137	136	139
Fortress	61	67	67	66	69
Airport retail concessions	29	29	27	29	27
Others	1	1	—	—	—
Subtotal	410	440	453	444	463
The Mainland					
PARKnSHOP	23	19	19	18	20
Watsons Personal Care Stores	29	32	41	34	49
Subtotal	52	52	60	52	69
Asia					
Watsons Personal Care Stores					
Taiwan	218	222	224	218	227
Singapore	50	54	58	53	60
Malaysia	46	55	59	56	62
Macau	4	4	4	4	4
Thailand	68	71	74	68	69
Philippines	—	—	68	56	72
Airport retail concessions	—	8	14	14	13
Subtotal	386	414	501	469	507
United Kingdom					
Savers	177	236	292	273	304
Superdrug	—	—	700	—	700
Subtotal	177	236	992	273	1,004
Continental Europe					
Kruidvat					
The Netherlands	—	—	522	—	527
Belgium	—	—	107	—	110
Trekpleister, The Netherlands	—	—	211	—	212
Rossmann					
Poland	—	—	92	—	97
Hungary	—	—	78	—	90
Czech Republic	—	—	63	—	65
ICI Paris XL					
Belgium	—	—	92	—	91
The Netherlands	—	—	61	—	67
Luxembourg	—	—	—	—	1
Subtotal	—	—	1,226	—	1,260
Others	4	5	5	5	5
Total	1,029	1,139	3,237	1,243	3,308

PARKnSHOP

The PARKnSHOP supermarket chain serves more than 19 million shoppers a month in 240 locations with centrally controlled product ranges and merchandising layouts. The PARKnSHOP supermarket chain puts particular emphasis on hygiene, convenience, product life, display and selection.

The PARKnSHOP chain, through its 218 outlets in Hong Kong, is a market leader with around 21% of the retail food market. As such, it faces competition not just from other supermarkets and convenience stores but also from local wet markets and Japanese department stores. PARKnSHOP has increased its market share in Hong Kong over the last five years by opening stores in convenient locations in both high and low income areas and by providing a wider and higher quality product range, including more fresh meat, fish and other produce offerings. PARKnSHOP has achieved encouraging results in the larger-format outlets and intends to open more larger-format superstores to meet the one-stop shopping needs of its customers.

PARKnSHOP "Shop and Drop" Service provides customers with the convenience of personal choice shopping combined with home delivery and continues to increase the product range offered through its Internet shopping website.

In the Mainland, PARKnSHOP has developed large format stores which include fresh food, general merchandise, textiles and electrical. PARKnSHOP has achieved encouraging results in the larger-format stores and intends to open more larger-format superstores.

Watsons Personal Care Stores

The Watsons Personal Care Stores chain is one of Asia's largest and leading retailers of personal care products and enjoys strong brand name recognition in Hong Kong, Taiwan and other countries in South East Asia. These stores are similar in concept to a US drugstore except that most stores do not dispense prescription drugs. The Watsons Personal Care Stores offer a range of more than 25,000 products, including toiletries, medicines, cosmetics, magazines, confectionery, fashion items and toys. The chain operates 227 outlets in Taiwan, 139 in Hong Kong, 72 in the Philippines, 69 in Thailand, 62 in Malaysia, 60 in Singapore, 49 in the Mainland and 4 in Macau. The Watsons Personal Care Stores chain faces competition from other similar chains, such as Manning's, department stores and independent stores.

Fortress

Since its acquisition by AS Watson in 1990, the Fortress chain has emerged as the leading retailer of electronic equipment, domestic electrical appliances and personal computers in Hong Kong. The chain of 69 Fortress stores in Hong Kong has achieved a market share of over 30%, as determined by a leading independent market research firm, through aggressive price promotions, product range expansion and after-sales product service through optional extended warranty plans. The Fortress chain faces competition from smaller similar chains, department stores and independent stores. Fortress has five stores in Taiwan.

Health & Beauty UK

AS Watson operates Superdrug and Savers through its Health & Beauty UK operations. Superdrug, acquired in 2002 as part of the Kruidvat Group's acquisition, is one of UK's leading health & beauty retailers operating 700 stores nationwide. Savers, a chain of discount health and beauty stores in the UK has 304 stores.

Health & Beauty Continental Europe

Health & Beauty Continental Europe comprises four leading retail chains currently operating over 1,200 stores in six countries. The health and beauty chains include Kruidvat in the Netherlands and Belgium, Trekpleister in the Netherlands, and Rossmann, a 50% joint venture business with stores in Czech Republic, Poland and Hungary. The Group also operates ICI Paris XL, a perfumery chain with presence in the Netherlands, Belgium and Luxembourg.

Manufacturing

AS Watson

The manufacturing division of AS Watson manufactures and distributes local and international branded drinking water, juices and other beverages in both Hong Kong and the Mainland. AS Watson has attained leading market shares in many of these product areas in many of its markets. AS Watson utilizes mass media advertising to create product awareness and to differentiate its products. The manufacturing division of AS Watson also takes advantage of its close supply relationship with the PARKnSHOP supermarket chain to distribute its products in Hong Kong and the Mainland.

AS Watson's manufacturing division has rapidly increased its annual manufacturing capacity in recent years. AS Watson's manufacturing capacity in Hong Kong is approximately 416 million liters for water, 30 million liters for juices per year. The current annual manufacturing capacity of AS Watson's joint ventures in the Mainland is approximately 264 million liters for water per year, 221 million liters for soft drinks and 35 million liters for juice per year.

High product quality, sophisticated distribution systems and effective marketing have helped AS Watson to establish a leading share of the market for bottled water in Hong Kong. AS Watson's "Watsons" brand is a leading brand of drinking water in Hong Kong. AS Watson applies stringent methods of distillation to ensure a pure product. Every aspect of the production process, from manufacturing to bottle cap design, is researched and tested to ensure consistency and quality. AS Watson also markets imported bottled mineral water products such as Pierval, SPA and San Benedetto. AS Watson's distilled water business is also growing in the Mainland, with sales in Beijing, Shanghai and Guangzhou. "Mr. Juicy", manufactured and distributed by AS Watson, is the best-selling brand of chilled fruit juice in Hong Kong and is extending to Guangzhou and Shenzhen in the Mainland. AS Watson also sells beverages under the Sunkist brand name.

The manufacturing division has a factory in Hong Kong and interests in three manufacturing joint ventures in the Mainland. AS Watson's manufacturing division believes that there are significant opportunities for expanding production and distribution of many of its products in the Mainland.

AS Watson entered the UK home and office drinking water delivery market in 1998 through acquisitions. In 2000, the brand name "POWWOW" was introduced. Since October 1999, AS Watson entered the continental Europe drinking water delivery market through acquisitions in Denmark, Germany, Holland, Portugal, Belgium, France and Italy. In January, 2003, AS Watson signed an agreement with Nestle Waters for the acquisition by Nestle Waters of the Powwow Group from AS Watson for a consideration of approximately €560 million (approximately HK$4,700 million). This transaction was completed on June 30, 2003.

Hutchison Whampoa (China) Limited

In addition to subsidiaries and joint ventures in several of its core businesses, namely container ports, property holding and development, retailing and manufacturing and infrastructure, Hutchison is also engaged in other activities in the Mainland through its wholly owned subsidiary, Hutchison Whampoa (China) Limited ("Hutchison China"). These activities include the manufacture and distribution of personal care products, the provision of aircraft maintenance and engineering services, the provision of logistics services, the operation of a rice farm and the manufacture of health care and traditional Chinese medicine products.

Hutchison China currently has a 20% interest in Procter & Gamble-Hutchison Limited, Hutchison's joint venture with Procter & Gamble, which is the exclusive vehicle for Procter & Gamble's operations in the Mainland. The joint venture was established in 1988 and is now a leading producer of personal care products in the Mainland, including items such as Rejoice, Pantene, Vidal Sassoon, Head & Shoulders, Crest, Whisper, Pampers, Olay, Ariel and Tide. Hutchison exercised put options in late 1997 and early 1998 to sell 10.75% of its original 30.75% interest in the joint venture to Procter & Gamble for US$650 million (approximately HK$5,070 million). In connection with such sale, Hutchison and Procter & Gamble reached an agreement pursuant to which Procter & Gamble would have the right to increase its ownership in Procter & Gamble-Hutchison Limited to 100% by 2017 through the exercise of certain call options exercisable from 2007 to 2017. Hutchison has corresponding put options for its interest in Procter & Gamble-Hutchison Limited that may be exercised during the same period at prices in US dollars calculated by reference to the market value of the joint venture at the time of the exercise of the options. The joint venture aggressively markets its products in the Mainland through the use of mass marketing techniques such as saturation advertising and sample distributions. These techniques have increased the brand awareness and the market share of Procter & Gamble products.

In addition, Hutchison China has the following investments which operate in the Mainland, Hong Kong and the UK:

- Guangzhou Aircraft Maintenance Engineering Company ("GAMECO") (25% interest), a joint venture with China Southern Airlines and Lockheed Martin Aeronautics Service International. GAMECO serves both Chinese and international airlines from its maintenance facility at Guangzhou's Baiyun International Airport, conducting both routine maintenance services and overhauls. GAMECO has invested additional capital to increase the level of vertical integration at the facilities in order to expand the production capacity and profitability. GAMECO also provides management supervision services for routine maintenance at airports in Hainan, Shenzhen and Changsha.

- China Aircraft Services Limited ("CASL") (26.7% interest) a joint venture with China National Aviation Corporation and United Airlines. CASL provides line maintenance checks for various Chinese airlines, British Airways, United Airlines, Dragonair, Northwest, and Japan Airlines at the Hong Kong International Airport.

- Hutchison OPTEL Telecom Technology Co. Ltd. (67.5% interest) a joint venture with OPTEL's management in Chongqing to develop and manufacture optical transmission equipment and provide related services in the Mainland.

- Hutchison Healthcare Ltd. (66.7% interest) a joint venture established with Guangzhou Masson Company Ltd. to develop, manufacture and sell health care products in the Mainland.

- Shanghai Hutchison Pharmaceuticals Ltd. (50% interest) a joint venture established with Shanghai Traditional Chinese Medicine Co Ltd. to develop, manufacture and sell traditional Chinese medicine products in the Mainland.

- Sen Medicine Company Ltd. (100% interest) a company established to retail and distribute "Sen" traditional Chinese medicine related products in the UK.

Hutchison Harbour Ring Limited

HHR (formerly ICG Asia Limited) is listed on the SEHK and became a 50.5% subsidiary of Hutchison in July 2001. In April 2003, Hutchison, through its subsidiary, exercised warrants to subscribe for new shares in HHR and increased its shareholding in HHR from 50.5% to 57.5% of the enlarged share capital. In September 2003, Hutchison through its subsidiary purchased shares from a substantial shareholder and further increased its shareholding in HHR from 57.5% to 62%. HHR principally engages in the manufacturing and trading of toys. In early 2002, a new technology division was established to design, manufacture and supply high quality consumer electronic products and accessories.

The manufacturing facilities of HHR are located in Dongguan, Panyu and Zhongshan in the Guangdong Province in the Mainland. HHR has property investments in prime commercial complexes in Shanghai in the Mainland.

Cheung Kong Infrastructure

CKI was organized in May 1996 for the purpose of acquiring certain infrastructure and infrastructure-related businesses of Cheung Kong Holdings, Hutchison and certain other companies. Shares of CKI were listed on the SEHK in July 1996. In March 1997, Hutchison acquired an 84.6% interest in CKI. Based on the closing price of its shares on the SEHK on November 18, 2003, CKI had a market capitalization of approximately HK$37,983 million.

CKI holds a 38.9% interest in Hongkong Electric Holdings, a listed company in Hong Kong that, through a wholly owned subsidiary, Hongkong Electric, generates, transmits, distributes and is the sole provider of electricity to Hong Kong Island and Lamma Island.

CKI has interests in a power generating portfolio with over 1,800 MW of gross capacity in the Mainland and in joint ventures that own and operate approximately 480 km of toll roads and bridges in the Mainland. Hutchison believes that CKI is well-positioned to achieve its goals of becoming one of the largest independent power producers and one of the largest private investors in roads and bridges in the Mainland. CKI prefers to invest in existing projects or in projects that are already under construction in order to benefit from immediate or imminent cash flow and to reduce project development risks. CKI looks for projects with strong economic fundamentals. CKI's objective is to obtain a relatively secure investment return from its infrastructure businesses by ensuring a stable minimum financial return, with the potential for participation in excess profits. Hutchison believes that CKI is positioned to benefit from infrastructure spending by the Mainland government and to expand its portfolio as opportunities arise.

CKI has also been actively exploring investment opportunities in other regions and industries. In 1999, CKI acquired a 50% interest in the rail section of the Eastern Harbour Crossing Tunnel in Hong Kong and a 19.97% interest in Envestra, Australia's largest listed natural gas distribution company. In December 1999, CKI, together with Hongkong Electric Holdings, on a 50/50 basis, entered into an agreement with the government of the State of South Australia to acquire the right to lease, for 200 years, ETSA Utilities' distribution network, the only electricity distributor in the State of South Australia. The acquisition was completed in January 2000. In August 2000, CKI, together with Hongkong Electric Holdings, on a 50/50 basis, entered into an agreement to acquire Powercor, the largest electricity distributor in the Australian State of Victoria. The acquisition was completed on September 6, 2000. Moreover, CKI, together with Hongkong Electric Holdings on a 50/50 basis, acquired CitiPower in August 2002. CitiPower is a regulated electricity distributor which serves the central business district of Melbourne and its densely populated inner suburbs. This acquisition consolidates CKI's position as an equal partner with Hongkong Electric Holdings in the largest electricity distribution business in Australia with a customer base of over 1.6 million. See "Australian Energy Projects".

CKI has an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland.

CKI has focused on diversification and globalization initiatives and will continue to pursue opportunities in Hong Kong and the Mainland as well as overseas.

The following table summarizes certain information with respect to CKI.

Cheung Kong Infrastructure Holdings Limited

	Year Ended December 31,			Six Months Ended June 30[1],	
	2000	2001	2002	2002	2003
Financial Information (in HK$ millions):					
Turnover:					
Infrastructure materials	HK$ 2,024	HK$ 1,954	HK$ 1,595	HK$ 832	HK$ 625
Transportation and energy	543	362	277	196	145
Total group turnover	2,567	2,316	1,872	1,028	770
Profit before taxation	3,501	3,683	3,890	1,709	1,854
Profit attributable to the shareholders[2]	3,114	3,152	3,326	1,443	1,403
Dividends	1,353	1,420	1,533	485	485
Fixed assets	2,267	2,137	1,992	2,070	1,942
Associated companies[2]	18,457	17,980	22,294	18,568	21,992
Jointly controlled entities	4,791	4,606	4,538	4,815	4,199
Infrastructure project investments	4,294	3,469	2,465	2,542	2,342
Shareholders' funds[2]	HK$ 22,766	HK$ 24,591	HK$ 26,530	HK$ 25,081	HK$ 27,322
Operating Information[3]:					
Production:					
Cement (in millions of tons)	2.0	2.1	2.0	1.0	0.9
Concrete (in millions of cubic meters)	2.1	1.9	1.7	0.8	0.7
Asphalt (in millions of tons)	1.0	1.4	1.0	0.4	0.5
Aggregates (in millions of tons)	0.9	0.9	1.1	0.5	0.4
Spray-coating (in millions of square meters)	0.8	0.6	0.5	0.3	0.2
Toll roads (in km):					
Operational	540.3	518.5	470.5	488.9	470.5
Under development	—	—	—	—	—
Toll bridges (in km):					
Operational	14.9	16.9	14.0	16.9	14.0[4]
Under development	6.1	1.9	—	1.9	—
Installed power capacity (in MW):					
Operational	1,839	2,139	1,860	1,860	1,860
Under development	700	—	—	—	—
Gross generation of operational plants (in '000 MWh)	7,390	10,290	10,746	5,025	5,140
On-grid output of operational plants (in '000 MWh)	6,901	9,684	10,146	4,739	4,841

(1) All financial information set forth above for CKI for the six months ended June 30, 2002 and 2003 is unaudited.

(2) The results have been retrospectively restated to reflect the adoption of the revised Hong Kong GAAP in relation to deferred taxation. The profit attributable to shareholders, investment in associated companies and shareholders' funds for the comparative periods presented have been restated to reflect this change.

(3) Operating information excludes Hongkong Electric Holdings.

(4) Including the approach roads, the total operational length was 18.0 km at as of June 30, 2003.

Hongkong Electric Holdings Limited

Hongkong Electric Holdings is listed on the SEHK. Based on the closing price of its shares on the SEHK on November 18, 2003, Hongkong Electric Holdings had a market capitalization of approximately HK$65,522 million. Hongkong Electric Holding's wholly owned subsidiary, Hongkong Electric, generates, transmits, distributes and is the sole provider of electricity to Hong Kong Island and Lamma Island. CLP Power Hong Kong Limited, which is not affiliated with Hongkong Electric, supplies electricity to Kowloon Peninsula and the New Territories. The division of markets between Hongkong Electric and CLP Power Hong Kong Limited is based on practical considerations of geography and is not mandated by law or by contract. Hutchison expects that the present arrangement will continue for the foreseeable future.

Hongkong Electric has been supplying electricity since 1890 when the first electric street lights in the Central district in Hong Kong were switched on, making it one of the world's oldest electricity companies. Currently, Hongkong Electric supplies electricity to over half a million customers. As a percentage of total unit sales in 2002, domestic customers accounted for 22.6%, commercial 72.8% and industrial 4.6%. The system maximum demand peaked at 2,436 MW during 2002. In December 2002, Hongkong Electric announced that its tariffs for 2003 would remain at their 2002 levels.

Hongkong Electric's existing power station is located on Lamma Island, and its installed capacity of 3,420 MW currently comprises eight coal-fired units with a total capacity of 2,500 MW, five oil-fired gas turbines with a total capacity of 555 MW and one oil-fired combined cycle of 365 MW. Of the total electricity units generated during 2002, 99.99% were produced by the coal-fired units. During 2002, 4.1 million metric tons of low sulphur, low ash and competitively priced coal were burnt from such diverse supply source countries as Australia, the Mainland and Indonesia.

Hongkong Electric has submitted to the Hong Kong government an application for approval to build additional electricity generating facilities at an extension of the Lamma Power Station, which includes a plan for six gas combined-cycle units with a total capacity of 1,800 MW with the first 300 MW generator to come into operation from 2004. The first 300 MW generating unit, together with the construction of a pipeline from Shenzhen to Lamma Island to transport environmentally friendly natural gas fuel, and the extension of transmission and distribution facilities essential to support the growth in demand in its service area, were included in the 1999-2004 Financial Plan which was approved by the Executive Council of the Hong Kong government in May 2000. The approved plan requires capital expenditure totaling approximately HK$27,000 million for the period 1999-2004, of which approximately 20% will be in respect of the Lamma Power Station extension. However, in view of the lower than expected maximum demand growth in 2002, Hongkong Electric has decided to defer the commissioning of the first generating unit of the Lamma Extension for one year, from 2004 to 2005. Further expenditure for the extension of the Lamma Power Station is expected to be included in the 2004-2008 Financial Plan.

The electricity transmission network used by Hongkong Electric includes high capacity submarine cables. For environmental and operational reasons, nearly all high voltage cabling on Hong Kong and Lamma Island is underground. Additionally, where cable-laying might cause serious disruption to the environment, Hongkong Electric has built cable tunnels. As of December 31, 2002, there were 3,487 high voltage distribution substations in the system operated by Hongkong Electric. Hongkong Electric's system is interconnected with the system operated by CLP Hong Kong Limited to provide additional spinning reserves for both systems. Generation, transmission and distribution are all controlled at Hongkong Electric's computerized system control center, which ensures the safe, efficient and secure delivery of electricity to all its customers.

The operations of Hongkong Electric are subject to the Scheme of Control. The original Scheme of Control expired in 1993 and was extended for another 15 years to December 31, 2008. As required by the Scheme of Control, an interim review was carried out in 1998 and some minor amendments were agreed to by both parties, which have no material effect on the operations of Hongkong Electric.

Furthermore, a second interim review was carried out during 2003. Although the results of such review have not yet been finalized, no major amendments are anticipated. Under the Scheme of Control, shareholders of Hongkong Electric are entitled to a net return of 15% on net fixed assets financed by shareholders' funds and a minimum of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings. The Scheme of Control is designed to ensure a balance of benefits for both consumers and Hongkong Electric's shareholders.

In January 2000, Hongkong Electric Holdings and CKI, on a 50/50 basis, completed the acquisition of the right to lease ETSA Utilities' distribution network and in August 2000, Hongkong Electric Holdings and CKI jointly entered in an agreement to acquire Powercor. In August 2002, Hongkong Electric Holdings jointly with CKI, on a 50/50 basis, acquired CitiPower. See "— Australian Energy Projects". In October 2001, Hongkong Electric Holdings Limited announced its 26% interest (with an option to acquire a further 1.5%) in a power plant project through a joint venture company — Union Power Development Company Limited (subsequently renamed as Ratchaburi Power Company Limited), scheduled for commercial operation in 2008. The project was originally conceived as a 1,400 MW coal-fired power plant located in Hin Krut, southwest of Bangkok in Thailand. However, the Thai government has recently approved in principle a change from coal firing to gas burning and the shareholders have approved a revision of the interest of Hongkong Electric Holdings Limited in the joint venture to 25%. Negotiations continue on the detailed planning of this project. Hongkong Electric Holdings may pursue other opportunities on a selective basis elsewhere in Asia and beyond, including making equity investments in power plants and, where appropriate, participating in partnership with CKI.

The following table summarizes certain information with respect to Hongkong Electric Holdings extracted from Hongkong Electric Holdings' publicly available information.

Hongkong Electric Holdings Limited

	Year Ended December 31,			Six Months Ended June 30(1),	
	2000	2001	2002	2002	2003
Operating Information:					
Electricity unit sales (in kWh millions)	9,992	10,311	10,642	NA(2)	NA(2)
Average net tariff (HK cents per kWh)	90.3	96.2	101.3	101.3	101.3
Number of customers (in thousands)	526	536	544	NA(2)	NA(2)
Installed capacity in (MW)	3,305	3,305	3,420	3,305	3,420
Financial Information (in HK$ millions):					
Turnover	HK$ 10,643	HK$ 10,867	HK$ 11,605	HK$ 5,156	HK$ 5,207
Profit attributable to shareholders(3)	5,195	6,146	6,624	2,330	2,193
Dividends	3,233	3,479	3,650	1,238	1,238
Fixed assets	41,592	43,955	45,202	44,634	45,155
Shareholders' funds(3)	26,418(4)	29,290	32,480	29,396	32,496

(1) All information set forth above for Hong Kong Electric Holdings for the six months ended 2002 and 2003 are unaudited.

(2) Information not publicly disclosed.

(3) The results have been retrospectively restated to reflect the adoption of revised Hong Kong GAAP in relation to deferred taxation. The profit attributable to shareholders and shareholders' funds for the comparative periods presented have been restated to reflect this change.

(4) As a result of the adoption of the requirement of the Statement of Standard Accounting Practice No. 9 (revised) "Events after the balance sheet date", proposed dividends are recognized as a component of equity instead of a liability at the balance sheet date. Consequently, the shareholders' funds for the year ended December 31, 2000 have been adjusted.

Australian Energy Projects

Envestra Limited

In July 1999, CKI entered into a subscription agreement to purchase a 19.97% interest in Envestra, a listed infrastructure company in Australia for a consideration of A$103.5 million (approximately HK$528 million). In March 2002, CKI further acquired new securities issued by Envestra for a consideration of A$15.2 million (approximately HK$61.6 million). CKI's interest in Envestra was diluted to 18.55% as a result of shares issued pursuant to the Security Purchase Plans of Envestra in April 2002 and March 2003. At June 30, 2003, CKI was the largest shareholder of Envestra, along with Origin Energy Limited, another listed company in Australia, which held a 18.55% interest.

Envestra is the largest natural gas distribution company in Australia. The networks operated by Envestra include about 18,000 km of distribution networks and 1,110 km of transmission pipelines delivering natural gas to 900,000 customers on behalf of retailers.

ETSA Utilities

In December 1999, together with Hongkong Electric Holdings on a 50/50 basis, CKI entered into agreements with the State of South Australia and the state-controlled companies, ETSA Power and ETSA Utilities, for the acquisition of ETSA Power and the right to lease ETSA Utilities' distribution network for 200 years, at a total consideration of A$3,400 million (approximately HK$17,500 million). Pursuant to the lease agreement, CKI and Hongkong Electric Holdings have the option to purchase ETSA Utilities' distribution network at a specified price if the State of South Australia disposes of the distribution network in the future. ETSA Utilities is the only electricity distributor in the State of South Australia. Its principal activity is to operate the electricity distribution network which covers the major populated areas in the State of South Australia. Prior to completion, an independent third party entered into an agreement with CKI and Hongkong Electric Holdings to acquire ETSA Power. As a result, CKI and Hongkong Electric Holdings completed the acquisition of ETSA Utilities at a net consideration of A$3,250 million (approximately HK$16,700 million) on January 28, 2000.

Powercor Australia Limited

In September 2000, together with Hongkong Electric Holdings on a 50/50 basis, CKI acquired Powercor, the largest electricity distributor in the Australian State of Victoria, at a consideration of A$2,315 million (approximately HK$10,650 million). Powercor's principal activity is to operate Victoria's largest electricity distribution network which covers more than half of the State of Victoria, with approximately one third of Victoria's population and manufacturing output. In June 2001, the retail business of Powercor was sold to Origin Energy for A$315 million (approximately HK$1,266 million).

CitiPower I Pty Limited

In August 2002, CKI together with Hongkong Electric Holdings on a 50/50 basis, acquired CitiPower, the electricity utility which serves Melbourne, the State of Victoria, Australia, and its surrounding suburbs for a net consideration of A$1,418 million (approximately HK$6,200 million). CitiPower distributes electricity to around 269,000 connected customers with concentration aggregated in the densely populated Melbourne central business district and inner suburban areas. Its distribution network has a very high density load and a diverse customer mix, including residential, commercial manufacturing and industrial.

CitiPower consists of the network distribution business as well as the retail operation. The total consideration for the CitiPower tender was A$1,555 million (approximately HK$6,800 million). The CKI/Hongkong Electric Holdings partnership has taken up the distribution business of CitiPower and onsold CitiPower's retail business to Origin Energy, a leading listed Australia energy provider, for a consideration of A$137 million (approximately HK$600 million). This follows the practice seen in both the ETSA Utilities and Powercor transactions, in which CKI and Hongkong Electric Holdings have focused on building strong critical mass in power distribution, while disposing of related business which requires strong local retail reach and may involve higher levels of business risk.

Power Projects in the Mainland

CKI currently has interests in power projects with an aggregate design capacity of 1,860 MW in the Mainland. The following table summarizes certain information with respect to CKI.

CKI's Mainland Power Projects

Business	Business Scale	CKI's Interest (%)[1]	Commencement Date of Operation	Expiration Date
Fushun Power Plants				
Changshun Heat & Electricity	25 MW coal-fired cogeneration power plant	60.0	June 1997[2]	2017
Changshun Energy	25 MW coal-fired cogeneration power plant	60.0	June 1997[2]	2017
Changshun Power	100 MW coal-fired cogeneration power plant	60.0	June 1997[2]	2017
Qinyang Power Plants				
Qinyang Jianghuai Power Plant	55 MW coal-fired power plant	49.0	January 1998[2]	2017
Qinyang Changhuai Power Plant	55 MW coal-fired power plant	49.0	January 1998[2]	2017
Siping Power Plants	Three units of coal-fired heat and electricity cogeneration plants with a total installed capacity of 200 MW	45.0	1998-1999[3]	2018
Zhuhai Power Plant	1,400 MW coal-fired power plant	45.0	April 2000[4] February 2001[4]	2019

(1) This represents the approximate share of CKI's contribution to the total investment of each project in the form of registered capital contribution. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

(2) Date of injection of funds by CKI.

(3) Two units of the power plant were completed and operational in 1998. The remaining unit was completed and became operational at the end of 1999.

(4) The first generating unit became operational in April 2000 and the second generating unit became operational in February 2001.

Roads, Bridges and Tunnels

CKI currently has interests in various projects with a total length of 470.5 km of toll roads and 14.0 km of toll bridges in the Mainland and a 2.2 km long Eastern Harbour Crossing rail tunnel in Hong Kong.

In December 2002, a consortium led by CKI entered into a contract to construct the Cross City Tunnel in Sydney, Australia, which will connect Sydney's eastern suburbs with the western side of the city. CKI has a 50% interest in the consortium for this A$1,024 million (approximately HK$4,500 million) tunnel project which is CKI's first transportation infrastructure project undertaken in Australia and leverages CKI's toll road and tunnel projects in Asia and its existing energy investments in Australia. Construction commenced in 2003 and the project is expected to be completed by mid 2006.

The following table summarizes certain information with respect to CKI's transportation projects.

CKI's Transportation Projects

Business	Business Scale	CKI's Interest (%)[1]	Commencement Date of Operation	Expiration Date
Shantou Bay Bridge	2.5 km toll bridge[2]	30.0	December 1995	2028
Shenzhen-Shantou Highway (Eastern Section)	140.0 km toll road	33.5	November 1996	2028
Jiangmen Jiangsha Highway	20.9 km toll road	50.0	December 1996[3]	2026
Jiangmen Jianghe Highway	20.3 km toll road	50.0	March 1999	2028
Jiangmen Chaolian Bridge	2.05 km toll bridge	50.0	May 1999	2027
Shenyang Roads & Bridge	3 toll roads (13.8 km) and 2 toll bridges (1.2 km)	30.0	November 1997	2028
	4 toll roads (17.4 km)	30.0	November 1997	2027
	4 elevated toll roads (6.4 km)	30.0	November 1997	2027
Zhumadian National Highway 107	2 toll roads (113.7 km)	66.0	September 1997[3]	2024
Xiangjiang Wuyilu Bridge	1.5 km toll bridge	44.2	February 1998[3]	2022
Xiangjiang Wujialing Bridge	3.5 km toll bridge	44.2	February 1998[3]	2022
Tang Le Road	100.0 km toll road	51.0	March 1998	2019
Guangzhou East-South-West Ring Road	38.0 km toll road	44.4	February 1999[4]	2032
Rail Section of Eastern Harbour Crossing Tunnel, Hong Kong	2.2 km tunnel	50.0	August 1999[3]	2008
Panyu Beidou Bridge	3.3 km toll bridge	40.0	January 2001	2024

(1) This represents the approximate share of CKI's contribution to the total investment of each project in the form of registered capital contribution and shareholders' loans. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

(2) The toll bridge including the approach roads is 6.5 km in length.

(3) Date of injection of funds by CKI.

(4) East-south section became operational in February 1999; full length of road became operational in June 2000.

During 2002, CKI divested the Zengcheng Lixin Road, Shantou Power Plants and the Nanhai Road Network Projects.

Water Projects in the Mainland

In May 1998, CKI entered into a joint venture contract for the management and operation of two water plants in Yueyang in Hunan province. CKI disposed of all of its 49% interest in this joint venture in June 2003.

Infrastructure Materials

CKI, through Green Island Cement (Holdings) Limited, Anderson Asia (Holdings) Limited, Green Island International (BVI) Limited and other subsidiaries and associated companies, is an integrated construction materials manufacturer involved in the production, distribution and sale of cement, concrete, asphalt, aggregates and spray-coating materials.

Cement

CKI operates as an integrated cement business, starting from resource extraction and going through development, international shipping and cement manufacturing to ultimate down-stream distribution.

CKI supplied approximately 35% of Hong Kong's annual cement requirements in 2002. As of June 30, 2003, it had a cement grinding capacity of approximately 2.5 million tons per year. CKI also imports cement for sale and distribution in Hong Kong. CKI has a 67% interest in a joint venture operating a cement manufacturing plant in Yunfu, Guangdong province in the Mainland with an annual production capacity of 680,000 tons.

Concrete

CKI is one of Hong Kong's market leaders in the production and delivery of concrete, the production and laying of asphalt, the quarrying and selling of aggregates and distribution of spray-coating of materials. As of June 30, 2003, CKI had an annual production capacity in Hong Kong of approximately 3.5 million cubic meters of concrete, 2.8 million tons of asphalt, 1.5 million tons of aggregates and 1.5 million square meters of spray-coating.

Environmental and Resources

In March 2000, CKI acquired a 65% interest in Polyphalt Inc. at a consideration of C$10 million (approximately HK$54 million). Polyphalt Inc. is a Canadian-listed company engaged in the development and commercialization of polymer modified asphalt products.

In August 2000, CKI acquired an 18% interest in Stuart Energy Systems Corporation ("Stuart Energy"), a Canadian-listed company, for a consideration of C$16.3 million (approximately HK$86 million). Stuart Energy is a developer and provider of generating systems that produce hydrogen at the pressure and purity needed for use as transportation fuel. Stuart Energy also uses its technology to convert hydrogen into a fuel that can be used for home appliances such as heaters and cooking stoves, and regenerative power systems. CKI's interest in Stuart Energy was diluted to 13% in October 2000, following the completion of Stuart Energy's initial public offering.

Husky Energy

Hutchison holds a 35.0% interest in Husky Energy an integrated energy and energy-related company listed on the Toronto Stock Exchange. Based on the closing price of its shares on the Toronto Stock Exchange on November 18, 2003, Husky Energy had a market capitalization of C$9,368 million (approximately HK$55,980 million). Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment includes the exploration for and development and production of crude oil, natural gas liquids and natural gas in western Canada, offshore the Canadian east coast, offshore South China and, to a limited extent, other international areas;
- the midstream segment comprises upgrading operations, oil and gas marketing operations, pipeline transportation and processing of heavy crude oil, cogeneration of electrical and thermal energy and storage of crude oil and natural gas; and
- the refined products segment includes the refining of crude oil and marketing of refined petroleum products, including gasoline, alternative fuels and asphalt.

Husky Energy's financial performance is highly sensitive to prevailing prices of crude oil and natural gas. Fluctuations in crude oil or natural gas prices could have a material effect on Husky Energy's operations, financial condition, proved reserves value and cash flow. Oil prices are determined by international supply and demand. Political developments and compliance or non-compliance with quotas imposed upon members of the Organization of Petroleum Exporting Countries can affect world oil supply and oil prices. Natural gas prices realized by Husky Energy are affected primarily by supply and demand and transportation infrastructure in North America and by prices of alternate sources of energy. The development of oil and natural gas discoveries in offshore areas is particularly dependent upon the outlook for oil and natural gas prices due to the large capital expenditures required for development prior to commencing production. Husky Energy expects continued volatility and uncertainty in crude oil and natural gas prices.

Husky Energy undertakes annually a cost recovery ceiling test in accordance with Canadian GAAP. A ceiling test writedown is a charge to earnings which does not impact cash flow from operations. There can be no assurance that Husky Energy will not be required to take writedowns in the future due to factors affecting the ceiling test.

The following table summarizes certain information with respect to Husky Energy.

Husky Energy

	Year Ended and as of December 31,			Six Months Ended and as of June 30,	
	2000	2001	2002	2002	2003
Operating Information:					
Net proved reserves					
Crude oil and natural gas liquids (million of barrels)	480.6	539.8	500.9	NA	NA
Natural gas (billion of cubic feet)	1,544.7	1,673.8	1,712.7	NA	NA
Average net daily production(1)					
Heavy crude oil (thousand of barrels per day)	48.8	76.7	84.5	86.1	86.5
Light and medium crude oil and natural gas liquids (thousand of barrels per day)	51.5	77.4	94.8	87.3	100.3
Natural gas (million of cubic feet per day)	279.7	417.8	426.6	424.1	448.8
Average sales prices					
Heavy crude oil (Canadian dollars per barrel)	21.26	17.05	26.61	24.37	29.12
Light and medium crude oil and natural gas liquids (Canadian dollars per barrel)	33.42	28.33	33.87	29.70	38.56
Natural gas (Canadian dollars per thousand cubic feet	5.16	5.47	3.83	3.54	6.59
Financial Information (millions of Canadian dollars):					
Sales and operating revenues	5,066	6,596	6,384	3,018	3,987
Earnings before ownership charges under Canadian GAAP	520	654	804	389	833
Ownership charges under Canadian GAAP	(82)	—	—	—	—
Net earnings under Canadian GAAP	438	654	804	389	833
Total assets under Canadian GAAP(2)	8,829	9,370	10,575	9,965	11,332
Shareholders' equity under Canadian GAAP(2)	3,985	4,486	5,127	4,787	5,875
Net earnings under US GAAP	447	297	811	408	735
Total assets under US GAAP	8,624	8,739	10,051	9,342	10,845
Shareholders' equity under US GAAP	3,498	3,657	4,306	3,988	4,975

(1) Certain volumes previously under the caption "light and medium crude oil and natural gas liquids" have been reclassified as "heavy crude oil".

(2) Effective January 1, 2002, due to change in Canadian GAAP foreign exchange gains and losses on long-term monetary items are no longer deferred and amortized but are reflected in the Statement of Earnings in the period in which they are determined. The net earnings and shareholders' equities for the comparative prior periods presented have been restated to reflect this change.

Upstream Operations

Husky Energy has substantial interests in offshore development and exploration opportunities off the east coast of Canada. In the Jeanne d'Arc basin Husky Energy's holding accounts for 39% of the significant discovery license areas and 42% of the exploration license areas in the basin. Husky Energy also has development and exploration opportunities offshore Southern China. Husky Energy is a major oil and gas producer in Canada with future development potential in British Columbia, Alberta and Saskatchewan that is strategically enhanced by its infrastructure, including its pipeline system, heavy oil upgrader and asphalt refinery. Husky Energy has a portfolio of high working interest producing properties in the western Canada sedimentary basin that ranges from shorter term shallow oil and gas production to longer life, low decline, deep oil and gas production. Husky Energy has one of the largest high working interest, undrilled land bases in western Canada and has a large unexploited position in oil sands leases with long-term development potential. Husky Energy has significant participation in midstream and refined products operations that permit it to take advantage of the full value-chain from production at the wellhead through to retail sales. The midstream and refined products operations help to stabilize Husky Energy's cash flow and income in an environment of volatile oil commodity prices.

Husky Energy has experience and expertise in enhanced crude oil recovery and horizontal drilling, as well as in natural gas exploration, development, production, transportation and processing in the foothills along the Canadian Rocky Mountains.

Husky Energy's strategy in the upstream segment is to increase reserves and production, reduce finding and development costs and continue to improve operating and administrative efficiencies. In the midstream segment, Husky Energy's strategy is to optimize the performance of its upgrading operations, expand the midstream infrastructure, including pipelines, and expand its oil and gas marketing operations. In the refined products segment, Husky Energy will focus on enhancing the value of its retail network and increasing returns on asphalt.

Husky Energy's major upstream development projects include:

- White Rose offshore the east coast of Canada — Husky Energy is the operator and holds a 72.5% interest in the project. During the third quarter of 2003, the third and final glory hole was completed and drilling of the first development commenced. The turret for the floating production storage and offloading vessel ("FPSO") is currently being installed in Korea and the FPSO is expected to arrive in Canada in early 2004 for installation of the topside modules.

- Oil sands, Alberta

    — Tucker — this property, when fully developed, is expected to produce about 30,000 barrels of bitumen a day for 25 years. Husky continued to work with regulatory authorities on its project application and environmental impact assessment. Work on the project in 2003 also involved modeling optimal well bore and well pad design, facilities engineering and assessment of major equipment.

    — Kearl — during the third quarter of 2003, 212 stratigraphic test wells were incorporated into a detailed geological model and data was prepared for the environmental impact assessment.

Husky's total production in the first six months of 2003 averaged 311,300 barrels of oil equivalent a day. The oil and gas industry, both within Canada and internationally, is highly competitive. Husky Energy competes in virtually every aspect of its businesses with other oil and gas companies. In the exploration and development of oil and natural gas, Husky Energy's competitors include major integrated oil and gas companies, numerous independent oil and gas companies and individual producers and operators. In export markets, Husky Energy encounters active competition from other producers, both Canadian and foreign. In the refined products operations, the margins earned by Husky Energy on its refined products are determined by competitive market conditions and are beyond the control of Husky Energy. The oil and gas industry also competes with other industries in supplying energy, fuel and related products to consumers. Husky Energy believes it is competitive in the areas in which it operates.

In 2002 and in the six months ended June 30, 2003, approximately 78% and 85.5% of Husky Energy's earnings before taxation (excluding corporate items) was generated by its upstream operation, respectively. Husky Energy's upstream operations are primarily in western Canada and off the east coast of Canada. Husky Energy also has international upstream operations offshore Southern China and in Indonesia. Substantially all of Husky Energy's 2002 production was from western Canada offshore the east coast of Canada and offshore southern China. Husky Energy's 2002 net production was 179,300 barrels per day of crude oil and natural gas liquids and 427 million cubic feet per day of natural gas. Husky Energy's 2002 upstream revenues were derived from its production of heavy crude oil (25%), light and medium crude oil and natural gas liquids (50%), and from natural gas production and other natural gas related operations (25%). As of December 31, 2002, Husky Energy had total net proved reserves of crude oil and natural gas liquids and total net proved reserves of natural gas of approximately 501 million barrels and 1,713 million cubic feet, respectively. The standardized measure of discounted future net cash flows of Husky Energy's proved reserves, calculated in accordance with Statement of Financial Accounting Standard No. 69, issued by the Financial Accounting Standard Board in the US, as of December 31, 2002, on an after-tax basis, was approximately C$7,186 million (approximately HK$37,500 million).

Midstream Operations

Husky Energy's midstream operations reflect a portfolio of assets strategically situated in western Canada, predominantly in the bitumen corridor, and linked to key transportation systems across North America. These operations include the Lloydminster Upgrader and marketing and infrastructure activities, which consists of pipeline systems, commodity marketing, thermal and electrical generation, crude oil and natural gas storage and processing.

In 2002 and in the six months ended June 30, 2003, approximately 18% and 14% of Husky Energy's earnings before taxation (excluding corporate items) was generated by its midstream operations, respectively.

Husky owns and operates a heavy oil upgrading facility at Lloydminster, Saskatchewan. The facility processes heavy oil feedstock into a premium-quality synthetic crude oil, which is further refined into transportation fuels by third-party refineries. Throughput at the upgrader in the first six months of 2003 averaged 72,600 barrels a day. Husky Energy also owns and operates a refinery at Lloyminster. This facility processes heavy crude oil into asphalt products for use in road construction and repair and in the manufacture of building products. A lighter distillate is also produced as feedstock for Husky Energy's upgrading operations. Throughput at the refinery in the first six months of 2003 averaged 25,100 barrels per day. Throughput at the Prince George Refinery in the first six months of 2003 averaged 10,800 barrels per day.

An important component of Husky Energy's heavy oil operations in Lloydminster is its 1,900 km pipeline system which is owned and operated by the company. The pipeline system transports production from the Lloydminster and Cold Lake areas to Husky Energy's terminal upgrading and refining facilities in Lloydminster. Heavy and synthetic crude oil is transported from Lloydminster to Husky Energy's terminal facilities at Hardisty. At Hardisty, oil is delivered into the Enbridge and Express pipeline systems. The Hardisty system provides an important link to eastern, southern and midwest markets in the United States. Throughput in the first six months of 2003 on Husky Energy's pipeline systems averaged approximately 479,000 barrels of oil per day. Husky Energy is a marketer of both its own and third-party production volumes of crude oil, natural gas, natural gas liquids, sulphur and petroleum coke. Crude oil and natural gas is marketed in Canada and the United States under both short-term and long-term arrangements. Husky Energy achieves efficient transportation of these products through the ongoing optimization of its natural gas facilities and its own and third-party gathering systems. Sulphur and petroleum coke are marketed domestically and internationally.

The commodity marketing component of the company's business continues to experience growth and it is Husky Energy's intention to expand product marketing operations further by increasing third-party volumes, markets served and services offered. Husky Energy has a 50% interest in a 215 MW natural-gas-fired cogeneration facility on the Lloydminster Upgrader site. The facility generates electricity for SaskPower and steam for the Upgrader and a 50% interest in a 90 MW natural-gas-fired cogeneration facility adjacent to the Rainbow Lake plant. Husky Energy owns 17 billion cubic feet of natural gas storage.

Refined Products Operations

Husky Energy has approximately 568 retail outlets strategically located on primary urban roads and major highways to offer a full range of services and products to both the motoring public and commercial transports. Independent retailers or agents operate all of Husky Energy's branded facilities which feature varying attributes such as 24 hour service, convenience stores, service bays, car washes and Husky House full service family style restaurants.

Husky Energy refines and markets paving and industrial asphalt products within the geographic areas of Western Canada, Ontario, Quebec and the north and mid-western United States. With a full range of asphalt products and an industry reputation for quality, Husky Energy is one of the largest asphalt marketers in Western Canada. Husky Energy also markets residual fuel oil products produced by the Lloydminster refinery, as well as various heavy and light-gas oil products. Husky Energy markets to contractors, provincial, federal and municipal governments, emulsion and modified asphalt manufacturers, roofing material distributors and industrial accounts and wholesale buyers.

In 2002 and in the six months ended June 30, 2003, approximately 4% and 0.5% of Husky Energy's earnings before taxation (excluding corporate items) was generated by its refined products operations, respectively.

Finance and Investments

Hutchison receives substantial income from its finance and treasury operations, including liquid assets held in managed funds and other investments. Managed funds are portfolios of short-term liquid debt securities, primarily denominated in US dollars, managed by independent professional fund initial purchasers in various financial centers around the world. Hutchison also has certain investments in shares and convertible securities of listed companies. The finance and investments division expanded following Hutchison's receipt of consideration generated from the sales of certain 2G telecommunications assets in 1999 and 2000. Due to the volatility of the global financial markets since 1999, Hutchison adopted a strategy of minimizing credit, interest rate and currency risks in its fixed income investments, and has divested its medium term, long-term and foreign currency investments in favor of US dollar denominated short-term liquid debt securities. See "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison — Liquidity and Capital Resources — Cash, Liquid Funds and Other Listed Investments" for discussion of the portfolio of liquid assets held by Hutchison and "Risk Factors — Reliance on Major Industries and Interest Rates".

Environmental Matters

Hutchison's operations are subject to various environmental laws. Compliance with such laws has not had, and in Hutchison's opinion, is not expected to have, a material adverse effect upon Hutchison's capital expenditures, earnings or competitive position.

Legal Proceedings

Other than the disputes with CIRtel and KPN Mobile N.V. described below, Hutchison is not engaged in any material litigation or arbitration proceeding, and no material litigation or claim is known by Hutchison to be pending or threatened against it.

CIRtel Arbitration

Hutchison 3G Italia SpA ("H3G Italia") and Hutchison International Limited 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 (approximately HK$2,900 million) shareholder loan from CIRtel to H3G Italia, being CIRtel's pro rata contribution to finance the acquisition of a 3G national network license in Italy and H3G Italia's initial working capital. Hutchison 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 June 9, 2003 and all final submissions have been made by the parties. A ruling is expected no later than the first half of 2004.

Settlement of KPN Mobile N.V. Litigation

In June 2003, Hutchison instituted a court proceeding in the UK against KPN with respect to a dispute regarding KPN's alleged breach of a shareholders' agreement. In July 2003, KPN presented a petition to the UK court alleging that Hutchison's conduct had been unfairly prejudicial to the interests of KPN under this shareholders' agreement. All court proceedings relating to both disputes were settled on November 7, 2003. Pursuant to the settlement agreements, Hutchison agreed to purchase KPN's 15% interest in Hutchison 3G UK for an aggregate of £90 million, with £60 million paid on November 7, 2003 and the remainder payable in three equal installments plus interest ending on December 31, 2007. KPN's shares in Hutchison 3G UK will be held in escrow until title to the shares passes to Hutchison upon full payment of the aggregate purchase price. Hutchison has the right to accelerate payment at its option. If Hutchison fails to make any payment under the settlement, KPN may either retain the shares or put them to Hutchison at the unpaid balance of the purchase price. The purchase price was arrived at against the background of the dispute and court proceedings and was not based on any actual valuation of Hutchison 3G UK. As part of the settlement, KPN's rights and obligations under the shareholders' agreement were terminated and all of KPN's nominated directors resigned from the board of Hutchison 3G UK as of November 7, 2003. Prior to the transfer of the title to KPN shares, neither KPN nor Hutchison will be entitled to exercise the voting rights with respect to the shares while they are in escrow, and KPN will continue to receive any dividends declared. In addition, until title to the shares is transferred, KPN will remain a shareholder of Hutchison 3G UK for accounting purposes.

Insurance

Hutchison believes that its properties are covered by adequate property insurance by reputable companies and with commercially reasonable deductibles and limits, covering fire, earthquake, loss of rental and third party liabilities.

Employees

The following table shows the divisional allocation of employees as of December 31, 2000, 2001 and 2002 and June 30, 2002 and 2003.

Employees

	As of December 31,			As of June 30,	
	2000	2001	2002	2002	2003
Ports and related services	8,705	13,015	16,188	16,081	17,104
Telecommunications	6,912	9,686	15,683	14,248	17,083
Property and hotels	7,132	7,977	6,774	7,889	6,294
Retail and manufacturing, and other services	24,213	44,103	76,338	51,784	77,433
Other	2,608	2,472	2,860	2,304	2,729
Total	49,570	77,253	117,843	92,306	120,643

HONG KONG

Until July 1, 1997, Hong Kong was a colony of the UK. On July 1, 1997, sovereignty over Hong Kong reverted from the UK to the Mainland, and Hong Kong became a Special Administrative Region of the PRC. The agreement between the British and Chinese governments regarding this transfer is embodied in the Joint Declaration, which was signed on December 19, 1984 and subsequently ratified by both governments. Acting pursuant to the Joint Declaration, in April 1990 PRC's National People's Congress (the "NPC") adopted the Basic Law, which is the basic constitutional document of Hong Kong. Under the Basic Law, Hong Kong is to have its own legislature, legal and judicial system and full economic autonomy for 50 years. Defense and foreign affairs are the responsibility of the central government in Beijing, although Hong Kong will still be able to participate in international organizations and agreements, where deemed appropriate. The Basic Law provides that the Hong Kong dollar will remain the legal tender currency in Hong Kong and is to remain freely convertible, and that no exchange controls will be applied. Existing freedoms, including the rights of free speech and assembly, a free press, freedom of religion, and to strike and to travel, are ensured by law, and business ownership, private property, the right of inheritance and foreign investment are to be legally protected.

Under the Basic Law, the laws in force in Hong Kong prior to June 30, 1997 remain in force, except for any that contravene the Basic Law, and are subject to amendment by Hong Kong's legislature. The power of interpretation of the Basic Law is vested in the Standing Committee of the NPC, although the courts of Hong Kong may interpret the Basic Law in adjudicating cases before them, subject to certain limitations. The power of amendment of the Basic Law is vested in the NPC. The Basic Law provides that the Chief Executive of Hong Kong shall be recommended by a committee composed of Hong Kong residents representing a broad spectrum of distinct constituencies, such as industry, labor, and various professions, and appointed by the central government of the PRC.

MANAGEMENT OF HUTCHISON

The directors of Hutchison are set forth below.

Name	Age	Position
LI Ka-shing	75	Chairman and Executive Director
LI Tzar Kuoi, Victor	39	Deputy Chairman and Executive Director
FOK Kin-ning, Canning	52	Group Managing Director and Executive Director
CHOW WOO M.F., Susan	50	Deputy Group Managing Director and Executive Director
Frank J. SIXT	51	Group Finance Director and Executive Director
LAI Kai Ming, Dominic	50	Executive Director
George C. MAGNUS	68	Executive Director
KAM Hing Lam	57	Executive Director
Michael D. KADOORIE	62	Director
LI Fook-wo	87	Director
Simon MURRAY	63	Director
OR Ching Fai, Raymond	53	Director
William SHURNIAK	72	Director
P.A.L. VINE	81	Director
WONG Chung Hin	70	Director

The business address of the directors of Hutchison for the purposes of their directorships of Hutchison is 22nd Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The Board of Directors of Hutchison consists of fifteen members. Set forth below is selected biographical information for each of the Directors:

Li Ka-shing, KBE, GBM, aged 75, has been an Executive Director of Hutchison since 1979 and the Chairman of Hutchison since 1981. He is the founder and Chairman of Cheung Kong Holdings, a substantial shareholder of Hutchison under the Securities and Futures Ordinance, and has been engaged in many major commercial developments in Hong Kong for more than 50 years. Mr. Li served as a member of the Hong Kong SAR's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong SAR. He is also an Honorary Citizen of Beijing, Shantou, Guangzhou, Shenzhen, Nanhai, Foshan, Chaozhou, Zhuhai and Winnipeg, Canada respectively. Mr. Li is a keen supporter of community service organizations, and has served as honorary chairman of many such groups over the years. Mr. Li has received Honorary Doctorates from Beijing University, University of Hong Kong, Hong Kong University of Science and Technology, Chinese University of Hong Kong, City University of Hong Kong, Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the UK. Mr. Li Ka-shing is the father of Deputy Chairman, Mr. Li Tzar Kuoi, Victor.

Li Tzar Kuoi, Victor, aged 39, has been an Executive Director since 1995 and Deputy Chairman since 1999. He is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") and the Managing Director and Deputy Chairman of Cheung Kong Holdings. He is also the Co-Chairman of Husky Energy, an Executive Director of Hongkong Electric Holdings and a Director of The Hongkong and Shanghai Banking Corporation Limited. He is a member of the 9th Chinese People's Political Consultative Conference ("CPPCC") and a member of the Standing Committee of the 10th CPPCC. He is also a member of the Commission on Strategic Development and the Business Advisory Group for the Hong Kong SAR. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

Fok Kin-ning, Canning, aged 52, has been an Executive Director since 1984 and Group Managing Director since 1993. He is the Chairman of HHR, Hutchison Australia, Partner Communications and

Vanda Systems & Communications Holdings Limited ("Vanda") and the Co-Chairman of Husky Energy. He is also the Deputy Chairman of CKI and Hongkong Electric Holdings and a Director of Cheung Kong Holdings. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

Chow Woo M.F., Susan, aged 50, has been an Executive Director since 1993 and Deputy Group Managing Director since 1998. She is a solicitor and holds a Bachelor's degree in Business Administration. She is also an Executive Director of CKI, HHR and Vanda and a Director of Hongkong Electric Holdings, Partner Communications and TOM.COM.

Frank J. Sixt, aged 51, has been an Executive Director since 1991 and Group Finance Director since 1998. He is the Chairman of TOM.COM. He is also an Executive Director of CKI and Hongkong Electric Holdings and a Director of Cheung Kong Holdings, Hutchison Australia, Husky Energy and Partner Communications. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Lai Kai Ming, Dominic, aged 50, has been an Executive Director since 2000. He is also the Deputy Chairman of HHR and Vanda and a Director of Partner Communications and priceline.com Incorporated. He has over 20 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

George C. Magnus, aged 68, has been an Executive Director since 1980. He is also Chairman of Hongkong Electric Holdings and Deputy Chairman of Cheung Kong Holdings and CKI. He holds a Master's degree in Economics.

Kam Hing Lam, aged 57, has been an Executive Director since 1993. He is also Deputy Managing Director of Cheung Kong Holdings, Group Managing Director of CKI and President and Chief Executive Officer of CK Life Sciences. He is also an Executive Director of Hongkong Electric Holdings. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

Michael D. Kadoorie, aged 62, has been a Director since 1995. He is also Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels Limited as well as Heliservices (Hong Kong) Limited.

Li Fook-wo, aged 87, has been a Director since 1977. He is also a Director of The Bank of East Asia, Limited.

Simon Murray, CBE, aged 63, has been a Director since 1984. He is the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray and Associates Limited. He is also a Director of a number of listed companies including Cheung Kong Holdings and Orient Overseas (International) Limited.

Or Ching Fai, Raymond, aged 53, has been a Director since 2000. He is a General Manager of The Hongkong and Shanghai Banking Corporation Limited, and a Director of Cathay Pacific Airways Limited, Esprit Holdings Limited and Hang Seng Bank Limited. He is the Chairman of the Hong Kong Association of Banks.

William Shurniak, aged 72, has been a Director since 1984. He is Chairman of ETSA Utilities, Powercor Australia Limited and CitiPower Pty, a Director of Envestra Limited and CrossCity Motorway Pty Ltd and a Director and Deputy Chairman of Husky Energy. He has broad banking experience and holds Honorary Doctor of Laws degrees from the University of Saskatchewan and The University of Western Ontario in Canada.

P.A.L. Vine, OBE, LLD, VRD, JP, aged 81, is a solicitor and has been a Director since 1977. He is also a Director of a number of listed companies in Hong Kong including Liu Chong Hing Investments Limited and Liu Chong Hing Bank Limited.

Wong Chung Hin, aged 70, is a solicitor and has been a Director since 1984. He is also a Director of The Bank of East Asia, Limited and Hongkong Electric Holdings.

HUTCHISON'S CONNECTED TRANSACTIONS

Hutchison Whampoa Limited ("Hutchison") enters into transactions from time to time with Cheung Kong (Holdings) Limited ("Cheung Kong") and other connected persons (as defined in the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules")). Hutchison's practice is to ensure that all such transactions are in compliance with the Listing Rules. The following is a brief description of Hutchison's connected transactions disclosed for the year ended December 31, 2002 and published in the press from January 1, 2003 to the date hereof.

On April 15, 2002, DS Eastin Limited, a then indirect wholly owned subsidiary of Hutchison, made available a loan (the "DSE Loan") of US$26.5 million to Beijing Harbour Plaza Co., Ltd., a then indirect non wholly owned subsidiary of Hutchison. The DSE Loan constituted a connected transaction for Hutchison under the Listing Rules.

On April 16, 2002, Hutchison entered into an underwriting agreement (the "Underwriting Agreement") with Hutchison Telecommunications (Australia) Limited ("HTAL"), a non wholly owned subsidiary of Hutchison listed on the Australian Stock Exchange indirectly owned as to approximately 57.8% by Hutchison, directly owned as to approximately 12.5% by Leanrose Pty Limited ("Leanrose") and approximately 29.7% owned by the public, to underwrite the subscription of certain convertible notes (the "Convertible Notes") offered in the rights issue made by HTAL (the "Underwriting"). As a 57.8% shareholder of HTAL, Hutchison Communications (Australia) Pty Ltd. ("HCAPL") which is an indirect wholly owned subsidiary of Hutchison was entitled as of right to subscribe for up to A$347 million in the Convertible Notes which upon full conversion would result in allotment of up to approximately 693.8 million ordinary shares of HTAL to HCAPL (the "HCAPL Note Subscription" and "HCAPL Note Conversion" respectively). On July 12, 2002, HCAPL was allotted Convertible Notes to subscribe for 906,206,358 ordinary shares of HTAL pursuant to the exercise of its own subscription right and the Underwriting Agreement. Leanrose is a connected person of Hutchison by virtue of it being a substantial shareholder of HTAL and an associate of a director of HTAL. The Underwriting and the HCAPL Note Subscription constituted, and the HCAPL Note Conversion, if effected, would constitute a connected transaction for Hutchison under the Listing Rules.

On April 19, 2002, HTAL accepted facilities of up to an aggregate amount of A$220 million from Australia and New Zealand Banking Group Limited ("ANZ") for general corporate funding and working capital requirements. As a condition precedent to the draw down of any part of the facilities, Hutchison had to and did provide a guarantee (the "HTAL Guarantee") to ANZ on April 22, 2002 in respect of, inter alia, the prompt performance by HTAL of all of its obligations under the facility agreement dated April 19, 2002 made between ANZ and HTAL. Leanrose is a connected person of Hutchison by virtue of it being a substantial shareholder of HTAL and an associate of a director of HTAL. The HTAL Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On April 24, 2002 and November 12, 2002 respectively, Hutchison Whampoa Properties Limited ("HWPL"), an indirect wholly owned subsidiary of Hutchison, provided two guarantees (the "HWPSG Guarantees") in respect of 50% of all the obligations of Hutchison Whampoa Properties (Shanghai) Gubei Limited ("HWPSG") under two bank loans in an aggregate amount of RMB500 million made available to HWPSG by an independent financial institution. HWPSG is owned as to 50% by Hutchison and 50% by Cheung Kong, the controlling shareholder of Hutchison. The HWPSG Guarantees constituted connected transactions for Hutchison under the Listing Rules.

On May 20, 2002 and July 3, 2002 respectively, Shenyang Hotel Holdings Limited ("SHHL"), a then indirect non wholly owned subsidiary of Hutchison, made available two loans (the "SHHL Loans") in an aggregate amount of US$10,292,000 to Time Plaza Shenyang Ltd., a non wholly owned subsidiary of SHHL. The SHHL Loans constituted connected transactions for Hutchison under the Listing Rules.

On June 10, 2002, Hutchison Whampoa (China) Limited, an indirect wholly owned subsidiary of Hutchison, provided a guarantee (the "HOTT Guarantee") in respect of the obligations of Hutchison Optel Telecom Technology Co., Limited ("HOTT"), an indirect non wholly owned subsidiary of Hutchison, under a bank facility of RMB80 million made available by an independent financial institution to HOTT. The HOTT Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On June 19, 2002, H3G S.p.A. ("H3G") was a wholly owned subsidiary of Hutchison 3G Italia S.p.A ("H3GI") which in turn was a non wholly owned subsidiary indirectly owned as to approximately 88.23% by Hutchison and approximately 11.77% by a number of minority shareholders, none of whom are connected persons of Hutchison. In relation to a project financing effected on such date by H3G, the following connected transactions were entered into:

(a) Hutchison and its indirect wholly owned subsidiary, Hutchison Whampoa Europe Investments S.à r.l. ("HWEI"), jointly and severally provided a guarantee in favor of a syndicate of independent banks and financial institutions for their provision to H3G of recourse bank facilities in the amount of €2.2 billion;

(b) Hutchison entered into an equity contribution agreement under which Hutchison agreed to make cash contributions to H3G at such time and subject to such limits as provided under the equity contribution agreement;

(c) Hutchison entered into an intercreditor agreement under which Hutchison agreed to subordinate debts owing by H3G to Hutchison and guaranteed the obligations of H3GI under the sponsor facility agreement;

(d) HWEI provided a guarantee in respect of the obligations of H3GI under a loan facility of €1.4 billion granted to H3GI by an independent financial institution;

(e) H3GI pledged all of its shares in H3G for securing the obligations of H3G under the €4.2 billion financing package from independent banks, financial institutions and vendors; and

(f) H3GI provided to H3G a sponsor loan facility of €1 billion and a loan facility of €400 million to roll up into the principal amount of such facility all and any fees, costs (including interest costs), expenses and taxes incurred by H3G in connection with the sponsor loan facility.

On June 20, 2002, Hutchison Telephone Company Limited ("HTCL"), an indirect non wholly owned subsidiary of Hutchison, entered into a service agreement with Hutchison 3G HK Limited ("H3GHK"), another indirect non wholly owned subsidiary of Hutchison. The service agreement sets out the basis upon certain 3G network construction and related systems development project support was, and would continue to be, provided by HTCL to H3GHK for the roll out of its 3G mobile telephony network in Hong Kong. In addition to being a substantial shareholder of HTCL and H3GHK, NTT DoCoMo, Inc. ("DoCoMo") is a connected person of Hutchison also by virtue of it being a substantial shareholder of Hutchison 3G UK Holdings Limited ("H3GUKH") which is an indirect non wholly owned subsidiary of Hutchison. Having regard to the specific facts and circumstances of the case, The Stock Exchange of Hong Kong Limited ("SEHK") ruled that the entering into of the service agreement constituted a connected transaction for Hutchison under the Listing Rules not falling within any exemption under the provisions of Rule 14.24 of the Listing Rules.

On June 20, 2002 and November 12, 2002 respectively, HWPL provided three guarantees (together the "SWMC Guarantees") in respect of 50% of the obligations of Shanghai Westgate Mall Co., Ltd. ("SWMC"), which is a subsidiary of Cheung Wo Hing Fung Enterprises Limited which in turn is owned equally by Hutchison and Cheung Kong, under the three bank loans in an aggregate amount of RMB200 million made available to SWMC by independent financial institutions. The SWMC Guarantees constituted connected transactions for Hutchison under the Listing Rules.

Since June 2002, Hutchison Harbour Ring Limited ("HHR"), a non wholly owned subsidiary of Hutchison listed on the SEHK, commenced the supply of its OEM products to Hutchison (the "Existing Supplies"). The first batch of transactions between the two groups of companies took the form of supplies to A.S. Watson Group (HK) Limited ("AS Watson") of cap covers and injection moulds for parts of "Watsons Water" bottles manufactured by Coronet Toys Company Limited ("Coronet"), an indirect wholly owned subsidiary of HHR. These products are being supplied on normal commercial terms reached after arm's length negotiations. AS Watson is a connected person for HHR by virtue of it being an associate of Hutchison, a substantial shareholder of HHR. Coronet is a connected person for Hutchison by virtue of it being an indirect wholly owned subsidiary of HHR and one of Hutchison's non wholly owned subsidiaries. The Existing Supplies constituted connected transactions for each of Hutchison and HHR under the Listing Rules. Hutchison and HHR made applications to the SEHK for waivers to disclose further Existing Supplies by the HHR group to the Hutchison group by way of press announcement. On November 25, 2002, the SEHK granted waivers to HHR and Hutchison (the "Existing Waivers").

On July 10, 2002, Kingdom Development S.A. ("Kingdom"), an indirect wholly owned subsidiary of Hutchison, entered into a shareholders' agreement with, among others, Magic Melody Limited ("Magic Melody"), Proficient Investment Limited ("Proficient Investment") and New Civic Company, Ltd. ("New Civic") for the establishment of a joint venture holding company (the "JVCo") incorporated in the Cayman Islands to be principally engaged in hotel services and tourism services in the People's Republic of China ("PRC") and the United States. As contemplated by the shareholders' agreement, Magic Melody, Kingdom, Proficient Investment and New Civic injected their respective assets into the JVCo in return for JVCo's new shares. The asset injection by Kingdom and Proficient Investment was effected by Cavendish Hotels (Holdings) Limited ("Cavendish"), an indirect non wholly owned subsidiary of Hutchison, transferring to the JVCo the entire issued share capital of Doncaster International Limited ("Doncaster", the principal asset of which was its 82% equity interest in a sino-foreign equity joint venture, the Great Wall Hotel Joint Venture of Beijing, principally engaged in the ownership and operation of the Beijing Great Wall Sheraton Hotel in Beijing) in consideration for the issue and allotment by the JVCo of its new shares to Kingdom and Proficient Investment in the ratio of 51% and 49% respectively (the "Kingdom Asset Injection"). Kingdom and Proficient Investment accepted such new JVCo shares as interest free and unsecured loans from Cavendish repayable on demand in the principal amount of 51% and 49% respectively of the agreed value of the Doncaster shares transferred to the JVCo. The resultant shareholdings in the JVCo following such asset injection would be 40% (Magic Melody), 27.50% (Kingdom), 26.42% (Proficient Investment) and 6.08% (New Civic). Magic Melody is a wholly owned subsidiary of Beijing Enterprises Holdings Limited, an independent third party not connected with Hutchison, its directors, chief executive or substantial shareholders or of any of its subsidiaries or of any of their respective associates. Proficient Investment is a wholly owned subsidiary of Beijing Tourism Group Corporation Limited, both being connected persons of Hutchison by virtue of Proficient Investment being a substantial shareholder of Cavendish. New Civic is also a connected person of Hutchison by virtue of it being a wholly owned subsidiary and therefore an associate of Beijing Tourism Group Corporation Limited. The entering into of the shareholders' agreement and the Kingdom Asset Injection constituted connected transactions of Hutchison under the Listing Rules.

On July 17, 2002, HWPL provided two guarantees (the "HWPL Guarantees") in respect of 50% of all the obligations of Shanghai Xin Hui Property Development Co., Ltd. ("SXHP") under a bank loan of RMB195.2 million and 50% of all the obligations of Shanghai Hehui Property Development Co., Ltd. ("SHHP") under a bank loan of RMB1,024.8 million made available by an independent financial institution. In addition, on July 31, 2002, HWPL provided another guarantee (the "HECQ Guarantee") in respect of 50% of all the obligations of Hutchison Enterprises (Chongqing) Co., Ltd. ("HECQ") under a bank loan of RMB370 million made available by such independent financial institution. SXHP, SHHP and HECQ are owned as to 50% by Hutchison and 50% by Cheung Kong. The HWPL Guarantees and the HECQ Guarantee constituted connected transactions for Hutchison under the Listing Rules.

On August 13, 2002, HWPL provided a guarantee (the "HWPS Guarantee") in respect of 50% of all the obligations of Hutchison Whampoa Properties (Shenzhen) Co., Ltd., which is owned as to 50% by Hutchison and 50% by Cheung Kong, and any other foreign investment enterprises established in the PRC the controlling interests in which are owned directly or indirectly by HWPL and CKH equally, under a credit facility of RMB1.5 billion made available by an independent financial institution. The HWPS Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On August 15, 2002, various wholly owned subsidiaries of Hutchison established from time to time for the principal purpose of undertaking joint procurement and development activities in connection with the launch of the 3G business (the "Hutchison Group Companies"), Hutchison Telecommunications Limited ("HTL"), an indirect wholly owned subsidiary of Hutchison, and the relevant Hutchison Operating Companies (as defined below) entered into cost sharing agreements, the principal purpose of which was to regulate the sharing of costs associated with various joint procurement and development activities relating to the roll out and ongoing operation of 3G business. These activities related primarily to the joint acquisition and development of information technology platforms and software solutions, hardware, content and other services, or joint marketing, promotion and communications activities on a worldwide basis for the purpose of 3G business of the various Hutchison Operating Companies in their respective licensed territories.

Each cost sharing agreement has identical principal terms and sets out the bases upon which external and internal costs, expenses and liabilities paid or discharged by the Hutchison Group Companies in connection with each underlying contract or joint procurement or development activities would be allocated among the Hutchison Operating Companies electing to participate in such under lying contract or activities. The bases for cost allocation among the Hutchison Operating Companies were arrived at after arm's length negotiations.

In connection with the performance of obligations of the Hutchison Operating Companies under some of the underlying contracts, HTL has provided guarantees in favor of the counter-parties (the "3G CS Guarantees") thereunder who are all independent of the chief executive, directors and substantial shareholders of Hutchison, its subsidiaries and their respective associates. HTL has also undertaken in each cost sharing agreement to procure the performance of each of the Hutchison Operating Companies under each underlying contract in which such Hutchison Operating Company elected to participate.

"Hutchison Operating Companies" means Hutchison 3G Austria GmbH, Hutchison 3G Ireland Limited, Hutchison CAT Wireless MultiMedia Limited, Partner Communications Company Ltd., and Hutchison 3G Subsidiaries (i.e. H3G, Hi3G Access AB ("Hi3G"), Hi3G Denmark ApS ("Hi3G Denmark") and Hutchison Connected 3G Subsidiaries which include Hutchison 3G UK Limited ("H3GUK"), HTAL, Hutchison 3G Australia Pty Limited ("H3G Australia"), HTCL, H3GHK and Hutchison 3G Services (HK) Limited ("H3G Services")).

Each of the Hutchison 3G Subsidiaries is a connected person for Hutchison by virtue of it being a non wholly owned subsidiary of Hutchison. In addition, DoCoMo is a connected person for Hutchison by virtue of its then holding of approximately 25.37% indirect shareholding interest in each of HTCL, H3GHK, H3G Services and its 20% indirect shareholding interest in H3GUK, all of which are indirect non wholly owned subsidiaries of Hutchison. Leanrose is another connected person for Hutchison by virtue of it being holder of approximately 12.5% shareholding interest in HTAL, and an associate of a director of HTAL and H3G Australia, a non wholly owned subsidiary of HTAL. Each of the 3G CS Guarantees in relation to the relevant Hutchison 3G Subsidiary constituted a connected transaction for Hutchison under the Listing Rules.

On September 19, 2002, Hutchison provided a guarantee (the "Hi3G Denmark Guarantee") in favor of an independent financial institution in respect of 60% of the liabilities of Hi3G Denmark under the guarantee of up to DKK213,747,300.21 issued by such financial institution at the request of Hi3G

Denmark in favor of Danish Government, in replacement of a similar guarantee granted in October 2001 which was disclosed in last year's annual report. Hi3G Denmark is an indirect non wholly owned subsidiary owned as to 60% by Hutchison and 40% by Investor AB. The Hi3G Denmark Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On September 30, 2002, an agreement (the "NEC Agreement") was entered into by Hutchison, DoCoMo, NEC Corporation ("NEC"), HTCL, Hutchison 3G HK Holdings Limited ("H3GHKH"), an indirect non wholly owned subsidiary of Hutchison and Pilot Gateway Limited ("PGL"), a then wholly owned subsidiary of Hutchison, pursuant to which (i) PGL subscribed for 6,291 new shares of HK$10 each in the share capital of each of HTCL and H3GHKH, representing about 5% of each of their enlarged issued share capital (the "Subscription") and (ii) Hutchison procured the sale of the entire issued share capital of PGL ("PGL's Shares") to NEC. The amount of total consideration payable for the Subscription by PGL was the same as that payable by NEC for the acquisition of PGL's Shares which was US$73.1 million. As PGL was a then wholly owned subsidiary of Hutchison prior to completion of the NEC Agreement which took place on November 8, 2002, the Subscription, as a transaction between a wholly owned subsidiary and a non wholly owned subsidiary of Hutchison, constituted a connected transaction for Hutchison under the Listing Rules.

On October 11, 2002, Hutchison Port Holdings Limited ("HPH"), an indirect wholly owned subsidiary of Hutchison, provided a guarantee (the "Guarantee I") in respect of the obligations of Thai Laemchabang Terminal Co., Ltd. ("TLT"), an indirect non wholly owned subsidiary of Hutchison, for the issue of a tender guarantee for an amount up to THB10 million by an independent financial institution in favor of Port Authority of Thailand in relation to the bidding of C3 Terminal in Thailand by TLT. On November 13, 2002, HPH provided another guarantee (the "Guarantee II") in respect of the obligations of TLT under a revolving loan facility of an aggregate principal amount not exceeding THB1.3 billion made available by an independent financial institution to TLT. The Guarantee I and the Guarantee II constituted connected transactions for Hutchison under the Listing Rules.

On October 24, 2002, HWPL provided a guarantee (the "HWPZ Guarantee") in respect of 50% of all the obligations of Hutchison Whampoa Properties (Zhuhai) Co., Ltd. ("HWPZ") under a bank loan of RMB200 million made available to HWPZ by an independent financial institution. In addition, on November 6, 2002, HWPL provided another guarantee (the "HWPGL Guarantee") in respect of 50% of all the obligations of Hutchison Whampoa Properties (Guangzhou Liwan) Limited ("HWPGL") under a bank loan of RMB400 million made available to HWPGL by another independent financial institution. Both HWPZ and HWPGL are owned as to 50% by Hutchison and 50% by Cheung Kong. The HWPZ Guarantee and the HWPGL Guarantee constituted connected transactions for Hutchison under the Listing Rules.

On November 6, 2002, Hutchison issued a letter of support (the "Letter of Support") to the Broadcasting Authority with respect to the provision of 50% financial support to Metro Broadcast Corporation Limited ("Metro"), which is owned as to 50% by Hutchison and 50% by Cheung Kong. The Letter of Support constituted a connected transaction for Hutchison under the Listing Rules.

On November 15, 2002, (i) Clifton Properties Limited ("CPL"), an indirect wholly owned subsidiary of Hutchison, and a connected person of Hutchison ("CP1") together as owners of Kwun Tong Inland Lot No. 444 (the "Lot") and (ii) Hutchison Whampoa Properties (Management & Agency) Limited ("HWPMA"), an indirect wholly owned subsidiary of Hutchison, entered into a project management agreement with respect to the appointment of HWPMA as the project manager for the redevelopment of the Lot (the "Appointment") at a fee of HK$2 million against milestones to be achieved. Obligations of CPL and CP1 to pay such fee and other related costs and expenses are in the proportion of 63.88% and 36.12% (the "Ratio") respectively. On November 20, 2002, CPL and CP1 entered into a joint development agreement (the "JD Agreement") relating to the redevelopment of the Lot where the profits, income, development costs, loss and deficit would be shared by CPL and CP1 in the Ratio. The Appointment and the JD Agreement constituted connected transactions for Hutchison under the Listing Rules.

On November 26, 2002, Hutchison provided a top-up guarantee in respect of the obligations of HTCL and Pacific Leasing Limited under six Letters of Credit renewed on June 20, 2001 (the "Renewed L/Cs"), which were originally issued in connection with the US Leases and the aggregate amount covered by them was US$40,945,840.74. Pursuant to the agreement dated February 22, 2001 with Motorola Inc. for its sale of 25.1% of the issued share capital of HTCL (the "Motorola Sale") to Whampoa Holdings Limited which is an indirect wholly owned subsidiary of Hutchison, Hutchison agreed to issue replacement guarantees in substitution for Motorola's 30% guarantee provided in respect of the US Leases, which transaction was disclosed in last year's annual report. Hutchison's liability under this top-up guarantee is limited to that attributable to acts or omissions arising and accruing on or after June 30, 2001 and to 30% of the payment obligations.

On December 20, 2002, Hutchison 3G Sweden Investments S.à r.l. ("H3G Sweden"), an indirect wholly owned subsidiary of Hutchison, provided a loan facility of up to DKK142,308,665.89 (the "Hi3G Loan") to Hi3G, an indirect non wholly owned subsidiary owned as to 60% by H3G Sweden and 40% by Investor AB, in proportion to its shareholding in Hi3G for Hi3G's general corporate purposes. The Hi3G Loan constituted a connected transaction for Hutchison under the Listing Rules.

On December 23, 2002, Hutchison provided a guarantee (the "ECT Guarantee") in respect of the obligations of Europe Container Terminals B.V. ("ECT"), an indirect non wholly owned subsidiary of Hutchison, under a term loan facility of €125 million made available to ECT by an independent financial institution. The ECT Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On December 31, 2002, HWPL provided a guarantee (the "SHPD Guarantee") in respect of 50% of all the obligations of Shanghai Helian Property Development Co., Ltd. ("SHPD"), a subsidiary of Bayswater Developments Limited which in turn is owned equally by Hutchison and Cheung Kong, under a bank loan of RMB370 million made available to SHPD by an independent financial institution. The SHPD Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

During the year 2002, HIT Holdings Limited ("HITH"), an indirect non wholly owned subsidiary of Hutchison, approved and/or made available four loans in an aggregate amount of HK$159 million (the "CHT Loans") to COSCO-HIT Terminals (Hong Kong) Limited, a company owned as to 50% by HITH and 50% by a connected person of Hutchison. The CHT Loans constituted connected transactions for Hutchison under the Listing Rules.

On February 25, 2003, Hutchison agreed to make available a loan facility in the amount of up to US$77 million (the "HXH Loan") to Hui Xian Holdings Limited ("Hui Xian") and/or its subsidiaries on a several basis pro rata to the respective interests of Hutchison and Cheung Kong in Hui Xian for general corporate purposes of Hui Xian group companies. The HXH Loan constituted a connected transaction for Hutchison under the Listing Rules.

On March 1, 2003, H3G Sweden provided a loan facility of up to SEK4.5 billion (the "Hi3GH Loan") to Hi3G Holdings AB ("Hi3GH"), a non wholly owned subsidiary directly owned as to 60% by H3G Sweden and 40% by Investor AB, in proportion to its shareholding in Hi3GH for general corporate purposes of Hi3GH. The Hi3GH Loan constituted a connected transaction for Hutchison under the Listing Rules.

On March 18, 2003, Hutchison provided a guarantee in favor of an independent financial institution (the "H3G Australia Guarantee") in respect of the cash advance facility of up to A$200 million granted by such financial institution to H3G Australia, a non wholly owed subsidiary of HTAL, to finance rollout of the 3G network and for general corporate funding requirements. The H3G Australia Guarantee constituted a connected transaction for Hutchison under the Listing Rules.

On April 8, 2003, HCAPL agreed to make available to Leanrose a loan facility of a maximum aggregate amount of A$33 million (the "Loan Facility") subject to and in accordance with the terms and conditions of an agreement dated April 8, 2003 made between HCAPL and Leanrose, to refinance an existing loan borrowed by Leanrose from an independent financial institution to fund Leanrose's acquisition of shares in the rights issue of HTAL in 2000. Leanrose is a connected person of Hutchison by virtue of it being a substantial shareholder of HTAL and an associate of a director of HTAL. The Loan Facility constituted a connected transaction for Hutchison under the Listing Rules.

On April 14, 2003, HTCL entered into an agreement with H3GHK for the provision of 3G network construction and development project support to H3GHK, which supplemented the agreement for provision of the same dated June 20, 2002 (the "Supplemental Network Support Agreement") entered into between HTCL and H3GHK. On the same day, HTCL entered into an agreement for provision of 3G related systems development project support (the "Related System Support Agreement") with H3G Services, an indirect non wholly owned subsidiary of Hutchison, in relation to the provision by HTCL of the 3G systems development project support to H3G Services and such other support as may be agreed between the parties from time to time in connection with the system development, management and operation of the 3G mobile telephony network in Hong Kong. In addition to being a substantial shareholder of HTCL, H3GHK and H3G Services, DoCoMo is a connected person of Hutchison also by virtue of it being a substantial shareholder of H3GUKH. Having regard to the specific facts and circumstances of this case, the SEHK ruled that the entering into of the Supplemental Network Support Agreement and the Related System Support Agreement constituted connected transactions for Hutchison under the Listing Rules not falling within any exemption under the provisions of Rule 14.24 of the Listing Rules.

On April 22, 2003, Promising Land International Inc. ("PLII"), an indirect wholly owned subsidiary of Hutchison, exercised in full the warrants issued by HHR which conferred on PLII the right to subscribe for 1,022 million new shares in HHR (the "New Shares") at HK$0.39 per share for cash. The aggregate price paid by PLII upon the exercise of the warrants was HK$398,580,000. Following the share allotment pursuant to such exercise, Hutchison's indirect shareholding in HHR was increased from 50.50% to 58.13% of the HHR's issued share capital as enlarged by such share allotment. HHR is a connected person for Hutchison by virtue of it being a non wholly owned subsidiary of Hutchison. The subscription, and the allotment and issue, of the New Shares pursuant to the exercise of the warrants constituted a connected transaction for Hutchison under the Listing Rules.

On April 28, 2003, Hutchison Europe Telecommunications S.à r.l. (formerly "Hutchison 3G Europe Investments S.à r.l.") ("HET"), a wholly owned subsidiary of Hutchison, entered into a loan agreement (the "Hutchison Loan Agreement") with H3GUKH whereby HET agreed to provide H3GUKH with a shareholder's loan in the principal amount of up to £650 million in proportion to HET's shareholding in H3GUKH. On the same day, HET entered into further loan agreements (the "Shortfall Loan Agreements") with H3GUKH whereby HET agreed to provide H3GUKH with shareholder's loans in the aggregate principal amount of up to £150 million (the "Shortfall Loans"). The Shortfall Loans were made available to cover the shortfall arising as a result of KPN Mobile N.V. ("KPN"), H3GUKH's 15% shareholder, not providing its pro rata amount of the £1,000 million funding call made by H3GUKH. The Hutchison Loan Agreement and the Shortfall Loan Agreements constituted connected transactions for Hutchison under the Listing Rules.

On July 31, 2003, Hutchison and HHR jointly announced that the Hutchison group and the HHR group intended to continue to enter into the supplies of a wider range of products and services (the "Expanded Supplies") which comprised the Existing Supplies and other product lines. The Existing Supplies were and the Expanded Supplies would be entered into in the ordinary and usual course of business on normal commercial terms based on arm's length negotiation. Hutchison applied to the SEHK for a supplies waiver from strict compliance with the press notice requirement in respect of the disclosure of the Expanded Supplies compared with that covered by its Existing Waiver.

On July 31, 2003, Hutchison International Limited ("HIL"), a wholly owned subsidiary of Hutchison, entered into a service agreement with HHR which set forth the terms and conditions under which HIL would continue to provide or procure other members of the HIL group to continue to provide administrative and support services to the HHR group. The HIL group has been providing certain administrative and support services to the HHR group in connection with the operation of the HHR group's business since the third quarter of 2001 when HHR became a subsidiary of Hutchison. The service agreement was deemed to have commenced on January 1, 2003 and will expire on December 31, 2007. The parties agreed that the amount of the fee of the services provided shall be equal to the cost to (including out-of-pocket expenses incurred by) the HIL group for the provision for the services plus a margin of 10% per annum (or at such other reasonable margin rate or on such other reasonable basis as the parties may agree in writing) to cover overheads, clerical, general office support and other non-specific costs and expenses incurred by the HIL group in generating the services. HIL is a connected person for HHR by virtue of it being a wholly owned subsidiary and therefore an associate of Hutchison. As a result, the service agreement constituted a connected transaction for each of Hutchison and HHR under the Listing Rules.

On August 26, 2003, PLII entered into a sale and purchase agreement with Reading Investments Limited ("Reading", the then substantial shareholder of HHR) pursuant to which PLII acquired and Reading sold 300 million ordinary shares of par value HK$0.10 each, representing approximately 4.5% of the issued share capital, in HHR at an aggregate cash consideration of HK$174 million. Following completion of the agreement, Hutchison's indirect shareholding in HHR increased from approximately 57.5% to approximately 62%. Reading is a connected person for Hutchison by virtue of it being a substantial shareholder of HHR, an indirect wholly owned subsidiary of Hutchison. The acquisition constituted a connected transaction for Hutchison under the Listing Rules.

On November 7, 2003, the following documents (together the "Documents"), all dated November 7, 2003 were executed:

(a) a sale and purchase agreement between Hutchison and KPN (the "S&P Agreement");

(b) a settlement deed between Hutchison and KPN;

(c) an escrow and safekeeping agreement between Hutchison, KPN and an independent financial institution acting as escrow and custodian agent; and

(d) an agreement executed by KPN in favor of Hutchison pursuant to which the Sale Shares (as defined below) are mortgaged to Hutchison as security for performance of KPN's obligations under the S&P Agreement.

Pursuant to the Documents, among other things (i) Hutchison agreed to acquire, or procure the acquisition of, and KPN agreed to sell to Hutchison (or its nominee(s)) the entire issued share capital of Waerdah Limited ("Sale Shares"), a wholly owned subsidiary of KPN, whose principal assets are 666,823,013 ordinary shares of £1 each in the issued share capital of H3GUKH, at an aggregate cash consideration of £90 million to be payable in installments; and (ii) Hutchison and KPN agreed to settle any claim or liability which each party may have against or to another arising out of or in connection with the claims by Hutchison, KPN, H3GUKH or H3GUK or any of their affiliates arising out of or connected with (i) the proceedings brought by Hutchison against KPN in the Commercial Court of United Kingdom on June 2, 2003 for breach of contract and the petition presented by KPN in the Companies Court of United Kingdom on July 11, 2003 for unfair prejudice; (ii) the shareholders agreement relating to H3GUKH entered into on July 12, 2000 between Hutchison and KPN or KPN's shareholding in H3GUKH; and (iii) their conduct in connection with the affairs of H3GUKH and H3GUK (excluding in relation to operational agreements entered into between KPN (and its affiliates) and either H3GUKH or H3GUK). Upon, and subject to, completion of the S&P Agreement which would take place on December 31, 2007, or an earlier date at the option of Hutchison, Hutchison's shareholding in H3GUKH would increase from 65% to 80%. KPN is a connected person of Hutchison by virtue of it being a substantial shareholder of H3GUKH, an indirect non wholly owned subsidiary of Hutchison. The transactions under the Documents constituted connected transactions for Hutchison under Rule 14.25(1) of the Listing Rules.

On November 10, 2003, H3GUK and Superdrug Stores plc. ("Superdrug"), an indirect wholly owned subsidiary of Hutchison, entered into certain agreements (the "Agreements") pursuant to which H3GUK acquires a non-exclusive right to establish a retail presence in Superdrug store for sale of third generation mobile handsets, accessories and network subscriptions and such other related items and services as may be approved in writing by Superdrug from time to time in areas to be agreed within the United Kingdom. The Agreements contemplate concession agreements and sub-leases for between 300 and 500 of Superdrug's UK stores in main shopping areas to be entered into upon suitable stores being identified and requisite approvals or consents therefore having been obtained. H3GUK is wholly owned by H3GUKH, a non wholly owned subsidiary of Hutchison, of which DoCoMo is a shareholder. DoCoMo is a connected person of Hutchison by virtue of it being (a) a substantial shareholder of H3GUKH, which is the immediate holding company of H3GUK and a subsidiary of Hutchison, and (b) a substantial shareholder of another non wholly owned subsidiary of Hutchison. The Agreements constituted connected transactions for Hutchison under Rule 14.25(1) of the Listing Rules.

DESCRIPTION OF THE NOTES AND THE GUARANTEE

The notes are to be issued under a Fiscal Agency Agreement (the "Fiscal Agency Agreement"), dated November 24, 2003 among the Issuer, the Guarantor and The Bank of New York, as fiscal and paying agent (the "Fiscal Agent"). Copies of the Fiscal Agency Agreement and the notes are available for inspection free of charge during normal business hours at the offices of the Fiscal Agent. The following summaries of certain provisions of the notes and the Fiscal Agency Agreement are subject to, and are qualified in their entirety by reference to, the provisions thereof, including the definitions therein of certain terms. Whenever particular defined terms from the notes or the Fiscal Agency Agreement are referred to, the definitions of such terms are incorporated herein by reference.

General

The notes will be issued in an aggregate principal amount of US$1,500,000,000 of 5.45% Notes Due 2010, US$2,000,000,000 of 6.25% Notes Due 2014 and US$1,500,000,000 of 7.45% Notes Due 2033. The notes will bear interest at the applicable rates per annum from November 24, 2003 or from the most recent interest payment date to which interest has been paid or provided for, payable semi-annually in arrears on May 24 and November 24 of each year, commencing May 24, 2004, with respect to the Notes Due 2010 and the Notes Due 2033, and on January 24 and July 24 of each year commencing July 24, 2004 with respect to the Notes Due 2014, and at maturity, being November 24, 2010 for the Notes Due 2010, January 24, 2014 for the Notes Due 2014 and November 24, 2033 for the Notes Due 2033, to the person in whose name the note (or any predecessor note) is registered at the close of business on the preceding May 9 or November 9, as the case may be, with respect to the Notes Due 2010 and the Notes Due 2033, and July 9 and January 9, as the case may be, with respect to the Notes due 2014. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the global notes will be made to the registered holder thereof in immediately available funds. Payments of principal of, and interest on, any individual notes that are subsequently issued in certificated form, as set forth below, will be made by check drawn on a bank in The City of New York or, in the case of any holder of more than US$1,000,000 in principal amount of individual certificated notes, upon timely application, by electronic transfer of immediately available funds to an account of such holder at a bank in The City of New York. Payments of the principal amount of such note at maturity or the principal amount to be prepaid upon redemption in full, together with accrued interest due at maturity or redemption, as the case may be, will be made to the registered holder thereof against presentation and surrender of such note at the specified office of the paying agent. Any payments of principal of and interest on the notes to be made on a date that is not a Business Day may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. "Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in The City of New York, Hong Kong or Luxembourg.

So long as the notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the Issuer will maintain a paying agent and transfer agent for such notes in Luxembourg, and payment of principal and interest on the notes can be made at the offices of the paying agent in Luxembourg. In the case of a change of such agent, a notice will be published (as provided under the subheading "— Notices"). The transfer of the notes will be registrable, and the notes will be exchangeable at the Corporate Trust Office (as defined in the Fiscal Agency Agreement) in The City of New York, which initially will be the office of the Fiscal Agent, and at the office of each of the transfer agent in Luxembourg. In the case of the transfer of less than all of the principal amount of any individual notes, a new individual note will be delivered by the transfer agent to the transferor in respect of the untransferred portion.

Ranking

The notes will constitute direct, senior, unsecured and unsubordinated obligations of the Issuer ranking *pari passu*, without any preference or priority of payment among themselves and among each series thereof and with all other unsecured and unsubordinated obligations of the Issuer.

Guarantee

The Guarantor will fully and unconditionally guarantee to each holder of a note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and interest on such note (and any Additional Amounts (as hereinafter defined) payable in respect thereof), when and as the same shall become due and payable, whether at Stated Maturity, by declaration of acceleration, call for redemption, or otherwise, in accordance with the terms of such note and of the Fiscal Agency Agreement. The guarantee will constitute a direct, senior, unsecured and unsubordinated obligation of the Guarantor and will rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor.

Notes: Delivery and Form

The statements set forth herein include summaries of certain rules and operating procedures of DTC, Euroclear and Clearstream which will affect transfers of interests in the global notes.

The notes sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S global notes, fully registered without interest coupons, which will be deposited with The Bank of New York (in such capacity, the "Custodian") for DTC and registered in the name of Cede & Co., as nominee of DTC.

The notes sold to qualified institutional buyers in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A global notes, fully registered without interest coupons, which will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The notes will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 above that amount. The original issue date was November 24, 2003.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and will bear a legend regarding such restrictions as set forth under "Transfer Restrictions". Under certain circumstances, transfers may be made only upon receipt by the Fiscal Agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement).

Prior to the 40th day after the later of the commencement of the offering and 10:00 p.m., Hong Kong time, on November 24, 2003 (the "Time of Delivery"), a beneficial interest in a Regulation S global note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A global note only if the transferor, and any person acting on its behalf, reasonably believes that the transferee is a qualified institutional buyer, and upon receipt by the transfer agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement) (a) from the transferee to the effect that such transferee (i) is a qualified institutional buyer purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under "Transfer Restrictions", and (b) from the transferor to the effect that the transfer was made in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the 40th day after the later of the commencement of the offering and the Time of Delivery, the certifications contemplated by clause (a) (i) and clause (b) of the preceding sentence shall no longer be required, but the transferee will still be required to certify as provided by clause (a) (ii) of such sentence.

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the Fiscal Agent of written certifications (in the form(s) provided in the Fiscal Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (if available).

Any individual notes issued in exchange for an interest in a Rule 144A global note under the circumstances described under "Individual Notes" below may be transferred only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form(s) provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with the restrictions on transfer set forth under "Transfer Restrictions", and in the case of any resale other than a "Safe Harbor Resale" as defined under "Transfer Restrictions", the execution and delivery by the transferee of a written certification (also in the form attached to the Fiscal Agency Agreement) and any additional documents or other evidence (including, but not limited to, an opinion of counsel) that the Issuer or the Fiscal Agent may, in its sole discretion, deem necessary or appropriate to evidence compliance with such transfer restrictions.

Any beneficial interest in one of the global notes that is transferred to an entity who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Investors may hold their interests in the global notes directly through DTC, Clearstream or Euroclear, as the case may be, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream and Euroclear will hold interests in the notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are participants in DTC.

Transfers between participants in DTC (the "Participants") will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Clearstream and Euroclear ("Clearstream Participants" and "Euroclear Participants", respectively) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Initial settlement for the notes will be made in same-day funds. So long as DTC continues to act as depositary for the notes, the notes will trade in DTC's Same-Day Funds Settlement System.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between DTC, on the one hand, and Clearstream or Euroclear Participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be.

Persons who are not Participants may beneficially own interests in the global notes held by DTC only through Participants or Indirect Participants (as defined below) (including Euroclear and Clearstream). So long as Cede & Co., as the nominee of DTC, is the registered owner of the global notes, Cede & Co. for all purposes will be considered the sole holder of such notes.

Payment of interest and principal on the global notes will be made to Cede & Co., the nominee for DTC, or such other nominee as may be requested by an authorized representative of DTC, as the registered owner of the global notes in immediately available funds. None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Issuer has been informed by DTC that, upon receipt of any payment of interest on or the redemption price of the global notes, DTC will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global notes as shown on the records of DTC. Payments of interest on and principal of the notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as the case may be, in accordance with the relevant system's rules and procedures. Payments by Participants to owners of beneficial interests in the global notes held through such Participants will be the responsibility of such Participants, as is the case with securities held, for the accounts of customers in bearer form or registered in "street name".

So long as the notes are represented by global notes and such global notes are held on behalf of DTC or any other clearing system, such clearing system or its nominee will be considered the sole holder of the notes represented by the applicable global notes for all purposes under the Fiscal Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and neither the Fiscal Agent, the Issuer nor the Guarantor shall be affected by any notice to the contrary. None of the Fiscal Agent, the Issuer nor the Guarantor shall have any responsibility or obligation with respect to the accuracy of any records maintained by any clearing system or any Participant of such clearing system. The clearing systems will take actions on behalf of their Participants (and any such Participants will take actions on behalf of any Indirect Participants) in accordance with their standard procedures. To the extent that any clearing system acts upon the direction of the holders of the beneficial interests in the applicable global note and such beneficial holders give conflicting instructions, the applicable clearing system may take conflicting actions in accordance with such instructions.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for the physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants").

None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility for the performance by DTC, Clearstream and Euroclear, or their respective Participants or Indirect Participants, of their respective obligations under the rules and procedures governing their operations.

Individual Notes

If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Issuer within 90 days or if there shall have occurred and be continuing an event of default (as described below) with respect to the notes and the Fiscal Agent has received a request from the holders of more than 25% in aggregate principal amount of the Outstanding Notes of any series to issue notes in certificated form, the Issuer will issue individual notes of such series in certificated, fully registered form in exchange for the global notes.

Subject to the transfer restrictions set forth on the individual notes in certificated form, the holder of such individual notes in certificated form may transfer or exchange such notes by surrendering them at the Corporate Trust Office or at the office of the transfer agent in Luxembourg. Prior to any proposed transfer of individual notes in certificated form (other than pursuant to an effective registration statement), the holder may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation to the transfer agent as described under "Notes: Delivery and Form" above. Upon the transfer, exchange or replacement of individual notes in certificated form not bearing the legend referred to under "Transfer Restrictions", the transfer agent will deliver individual notes in certificated form that do not bear the legend. Upon the transfer, exchange or replacement of individual notes in certificated form bearing the legend, or upon specific request for removal of the legend on an individual note in certificated form, the transfer agent will deliver only individual notes in certificated form that bear such legend or shall refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Redemption

Unless earlier redeemed in the limited circumstances set forth below, the Notes Due 2010 will mature on November 24, 2010, the Notes Due 2014 will mature on January 24, 2014 and the Notes Due 2033 will mature on November 24, 2033 at a price equal to 100% of the principal amount thereof. The notes may be redeemed at the option of the Issuer or the Guarantor, at any time in whole but not in part with respect to each series, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws of the Cayman Islands, Hong Kong or the PRC (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Cayman Islands, Hong Kong or the PRC or such political subdivision or taxing authority is a party, which change, amendment or treaty becomes effective after November 19, 2003, the Issuer or the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes Due 2010, the Notes Due 2014 or, as the case may be, the Notes Due 2033 to pay Additional Amounts with respect to the relevant notes as described below under "— Additional Amounts", and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be. Prior to any redemption of the relevant notes, the Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent a certificate stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred. In the case of redemption, a notice will be published (as provided under the subheading "— Notices"). The notes are not otherwise subject to redemption at the option of the Issuer or the Guarantor.

Additional Amounts

All payments of principal and interest in respect of the notes of each series, and all payments pursuant to the guarantee, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, Hong Kong or the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as applicable, shall pay such additional amounts ("Additional Amounts") as will result in receipt by the holders of the applicable series of notes of such amounts as would have been payable to the holders had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

(a) in respect of any tax or other governmental charge that would not have been imposed but for a connection between the holder or beneficial owner of a note and the Cayman Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein, as the case may be, otherwise than merely holding such note or guarantee or receiving principal or interest in respect thereof, or

(b) in respect of any note or guarantee presented for payment more than 30 days after the relevant date, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period. For this purpose, the "relevant date" in relation to any note or guarantee means (i) the due date for payment thereof and (ii) if the full amount payable on such due date has not been received in The City of New York by the Fiscal Agent on or prior to such due date, the first date on which such full amount has been so received and notice to that effect has been given to the holders of the notes.

Unless the context otherwise requires, any reference in the notes to principal and/or interest shall be deemed to include any Additional Amounts which may be payable as described above.

Certain Covenants

Lien Covenants

The Issuer will not create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Issuer (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the notes will be secured at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the notes as provided in the Fiscal Agency Agreement and such notes.

The Guarantor will not, and will not permit any of its Principal Subsidiaries (other than Listed Principal Subsidiaries) to create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Guarantor or such Principal Subsidiary (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the guarantee will be secured either at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the notes as provided in the Fiscal Agency Agreement, for so long as such Indebtedness for Borrowed Money will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness for Borrowed Money (excluding that of Listed Principal Subsidiaries and their respective Subsidiaries) entered into after the Time of Delivery would not exceed 50% of the Guarantor's Adjusted Consolidated Net Worth.

If there occurs a breach of the foregoing restriction and that breach would not have occurred but for a change in the accounting standards applicable to the audited accounts of the Group as at December 31, 2002 and for the financial year ended December 31, 2002 that affects the calculation of the Guarantor's Adjusted Consolidated Net Worth, such breach shall be deemed not to have occurred provided that a written certificate from the auditors of the Guarantor is delivered to the Fiscal Agent certifying that a breach of the foregoing restriction would not have occurred but for the relevant change in accounting standards. Such certificate shall be conclusive and binding on all holders of the notes.

The foregoing restriction will not apply to:

(a) Liens existing on or prior to the Time of Delivery;

(b) Liens for taxes or assessments or other applicable governmental charges or levies;

(c) Liens created or arising by operation of law or created in the ordinary course of business, including, but not limited to, landlords' liens and statutory liens of carriers, warehousemen, mechanics, materialmen, vendors and other liens securing amounts which are not more than 60 days overdue or which are being contested in good faith;

(d) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations;

(e) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of the Guarantor and such Principal Subsidiaries;

(f) Liens created on any property or assets acquired, leased or developed after the Time of Delivery; *provided, however,* that (i) any such Lien shall be confined to the property or assets acquired, leased or developed; (ii) the principal amount of the debt encumbered by such Lien shall not exceed the cost of the acquisition or development of such property or assets or any improvements thereto or thereon and (iii) any such Lien shall be created concurrently with or within three years following the acquisition, lease or development of such property or assets;

(g) rights of setoff of a financial institution with respect to deposits or other accounts of the Guarantor or such Principal Subsidiary held by such financial institution in an amount not to exceed the aggregate amount owed to such financial institution by the Guarantor or such Principal Subsidiary, as the case may be;

(h) Liens on documents and the goods they represent in connection with letters of credit and similar transactions entered into in the ordinary course of business;

(i) Liens arising in connection with industrial revenue, development or similar bonds or other means of project financing (not to exceed the value of the project financed and limited to the project financed);

(j) Liens in favor of the Guarantor or any Principal Subsidiary;

(k) leases, subleases, licenses and sublicenses granted to third parties in the ordinary course of business;

(l) attachment, judgment and other similar Liens arising in connection with court proceedings which are effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings;

(m) any Lien against any property or assets of a Person existing at the time such Person becomes such a Principal Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(n) any Lien existing on any property or assets prior to the acquisition thereof, which Lien was not created in connection with the acquisition thereof, except for Liens permitted pursuant to clause (f) above;

(o) Liens on any property or assets of the Guarantor or any such Principal Subsidiary in favor of any government or any subdivision thereof, securing the obligations of the Guarantor or such Principal Subsidiary under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

(p) Liens created in connection with any sale/leaseback transaction;

(q) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or assets covered thereby; and

(r) Liens in respect of Indebtedness for Borrowed Money with respect to which the Guarantor or any Principal Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and its Subsidiaries in respect thereof (other than the obligations that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

Consolidation, Merger and Sale of Assets

The Guarantor may not, without the consent of the holders of any Outstanding Notes of any series, consolidate with or merge into any other Person in a transaction in which the Guarantor is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to, any

Person unless, among other things, (i) any Person formed by such consolidation or into which the Guarantor is merged or to whom the Guarantor has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the jurisdiction of its organization and such Person assumes the Guarantor's obligations under the Fiscal Agency Agreement, (ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (iii) any such Person not organized and validly existing under the laws of the United States, any state thereof or the District of Columbia or, as the case may be, Hong Kong or the Cayman Islands shall expressly agree in a supplemental Fiscal Agency Agreement that all payments pursuant to the guarantee in respect of principal of, and interest on, the notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the jurisdiction of organization of such Person or any political subdivision or taxing authority thereof or therein, unless such taxes, duties, assessments or governmental charges are required by such jurisdiction or any such subdivision or authority to be withheld or deducted in which case such Person will pay such additional amounts of, or in respect of, principal and interest ("Successor Additional Amounts") as will result (after deduction of such taxes, duties, assessments or governmental charges and any additional taxes, duties, assessments or governmental charges payable in respect of such Successor Additional Amounts) in the payment to the holder of a note of the amounts which would have been payable pursuant to the guarantee, had no such withholding been required, subject to the same exceptions (other than the right to redeem the notes as a result of such consolidation, merger, conveyance, lease or transfer) as apply with respect to the payment by the Guarantor of Additional Amounts in respect of the guarantee (inserting references to the taxing jurisdiction where appropriate) and (iv) if, as a result of the transaction, property of the Guarantor would become subject to a Lien that would not be permitted under the subheading "— Lien Covenants", the Guarantor or such successor Person takes such steps as shall be necessary to secure the notes and the guarantee equally and ratably with (or prior to) the indebtedness secured by such Lien. The Guarantor will undertake in the Fiscal Agency Agreement that, so long as any note remains an Outstanding Note, the Issuer shall remain a wholly owned Subsidiary of the Guarantor.

Events of Default

With respect to any series of notes, each of the following shall constitute an Event of Default with respect to such series of notes:

(a) failure to pay principal of any note of such series within five days after the due date for such payment;

(b) failure to pay interest on any note of such series within 30 days after the due date for such payment;

(c) failure to perform any other covenant of the Issuer or the Guarantor in the Fiscal Agency Agreement or such series of notes which has continued for 60 days after there has been given, by registered or certified mail, to the Issuer or the Guarantor by the Fiscal Agent or by the holders of at least 25% in aggregate principal amount of the Outstanding Notes of such series, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Fiscal Agency Agreement or the notes, as the case may be;

(d) (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries), (ii) acceleration of the maturity of any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt of the written notice as provided in the Fiscal Agency Agreement, or (iii) failure to pay any amount payable by the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) under any guarantee or indemnity in respect of any Indebtedness for Borrowed Money of any other Person; provided, however, that (1) no such event set forth in clause (i), (ii) or (iii) of this sub-clause (d) shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money to which all such events relate exceeds US$30,000,000 (or its equivalent in any other currency) and (2) Indebtedness for Borrowed Money which is (x) in the form of secured project financing or secured limited recourse financing and (y) not guaranteed by the Guarantor or a Principal Subsidiary (other than a Listed Principal Subsidiary) shall be deemed not to be Indebtedness for Borrowed Money for the purpose of this paragraph (d); and

(e) certain events in bankruptcy or insolvency in respect of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries).

If an Event of Default (other than an Event of Default described in clause (e) above) with respect to any series of notes shall occur and be continuing, the holders of at least 25% in aggregate principal amount of the Outstanding Notes of such series, by notice as provided in the Fiscal Agency Agreement, may declare the principal amount of the notes of such series, and any accrued and unpaid interest thereon to be due and payable immediately. If an Event of Default referred to in paragraph (e) above with respect to the notes shall occur, the principal amount of all notes of each series and any accrued and unpaid interest thereon will automatically, and without any action by any holder of the notes of any series, become immediately due and payable. After any such acceleration but before a judgment or decree based on acceleration has been obtained, the holders of a majority in aggregate principal amount of the Outstanding Notes of any series may, under certain circumstances, rescind and annul such acceleration with respect to such series if all then existing Events of Default have been cured or waived as provided in the Fiscal Agency Agreement.

Modification and Amendment

The Issuer or the Guarantor may, at any time, and the Fiscal Agent shall at any time after the notes of any series shall have become immediately due and payable due to an Event of Default, upon a request in writing made by holders holding not less than 10% of the Outstanding Notes of such series, convene a meeting of holders of the notes of such series. At a meeting of the holders of the notes of any such series, persons entitled to vote a majority in aggregate principal amount of the Outstanding Notes of such series shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Outstanding Notes of such series shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Modifications and amendments to the Fiscal Agency Agreement or the notes requiring consent of holders may be made, and future compliance therewith or past defaults by the Issuer and the Guarantor may be waived with respect to any series of notes, with the consent of the holders of at least a majority in aggregate principal amount of the Outstanding Notes of such series or by a resolution adopted at a meeting of holders at which a quorum is present; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any note may, without the consent of each holder of the series affected thereby, (a) change the stated maturity of the principal of, or date for payment of interest on, any such note; (b) reduce the principal of or interest on any such note; (c) change the currency of payment of the principal of or interest on any such note; (d) change the provisions or procedures relating to the redemption of the notes; or (e) reduce the above-stated percentage of aggregate principal amount of Outstanding Notes or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any resolution at a meeting of holders of Outstanding Notes of any series to modify or amend the Fiscal Agency Agreement with respect to such series or the notes of such series, or to waive compliance with, or past defaults of the Issuer of, any of the covenants or conditions referred to above (other than those set forth above as requiring the consent of each holder of a note affected thereby) shall be adopted if passed by the lesser of (a) a majority in aggregate principal amount of the Outstanding Notes of such series and (b) 75% in aggregate principal amount of the Outstanding Notes of such series represented and voting at the meeting.

Defeasance and Covenant Defeasance

The Issuer and the Guarantor, at the Issuer's or the Guarantor's option, (a) will be deemed to have been discharged from any and all obligations in respect of the notes of any series (except for certain obligations to pay any Additional Amounts in respect of any withholding or deduction for Cayman Islands, Hong Kong or PRC taxes (as described above under "— Additional Amounts") then unknown, to register the transfer of or exchange notes, to replace stolen, lost, destroyed or mutilated notes upon satisfaction of certain requirements (including, without limitation, providing such security or indemnity as the Fiscal Agent, the Issuer or the Guarantor may require), to maintain Paying Agents and to hold certain monies in trust for payment) or (b) need not comply with certain restrictive covenants with respect to the notes of any series (including those described under "Certain Covenants"), in each case if the Issuer or the Guarantor deposits, in trust with the Fiscal Agent, money in an amount, or US Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or a combination thereof, in each case sufficient to pay all the principal of, interest on, and any Additional Amounts in respect to any withholding or deduction for Cayman Islands, Hong Kong or PRC taxes known at such time and required to be paid with regard to, such series of notes, on the dates such payments are due in accordance with the terms of the Fiscal Agency Agreement and such notes. In the case of discharge pursuant to clause (a) above, the Issuer or the Guarantor, as the case may be, is required to deliver to the Fiscal Agent an opinion of counsel stating that (i) the Issuer or the Guarantor, as the case may be, has received from, or there has been published by, the United States Internal Revenue Service, a ruling, or (ii) since the date of the Fiscal Agency Agreement, there has been a change in the applicable United States Federal income tax laws, in either case to the effect that the holders of the notes of the applicable series will not recognize gain or loss for United States Federal income tax purposes as a result of the exercise of the option under clause (a) above and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised.

Fiscal Agent

The Bank of New York will be the Fiscal Agent under the Fiscal Agency Agreement. The Global Trust Service Division of the Fiscal Agent is located at 101 Barclay Street, New York, N.Y. 10286, U.S.A. The Fiscal Agent is an agent of the Issuer and does not have the duties of a trustee with respect to the holders of the notes.

The Fiscal Agent may resign at any time or may be removed by the Issuer or the Guarantor. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent will be appointed in accordance with the provisions of the Fiscal Agency Agreement. In such event, the Issuer will cause a notice of such event to be published in a newspaper having general circulation in Luxembourg and will notify the Luxembourg Stock Exchange.

Obligation Currency

To the fullest extent permitted by applicable law, the Issuer's obligation under the notes to make all payments in US dollars (the "Obligation Currency") will not be satisfied by any payment, recovery or any other realization or proceeds in any currency other than the Obligation Currency. The Issuer has agreed to indemnify the holders of the notes in US dollars for any shortfall in the aggregate amount of Obligation Currency actually received by such holders and the aggregate amount of payments due and payable.

Governing Law

The Fiscal Agency Agreement, the notes and the guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Market for the Notes

Application has been made to list the notes on the Luxembourg Stock Exchange but there can be no assurance that such application will be approved. Each of the Initial Purchasers has advised the Issuer that it, or an affiliate of such Initial Purchaser, presently intends to make a market in the notes after completion of this offering. However, no such entity is under an obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for the notes may not develop or continue. If an active trading market for the notes does not develop or continue, the market price and liquidity of the notes may be adversely affected. The notes may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Guarantor and other factors.

Return of Unclaimed Funds

Any funds deposited with the Fiscal Agent to pay principal or interest on any note, that remain unclaimed and unescheated for one year after the date upon which the last payment of principal of or interest on any note to which such deposit relates shall have become due and payable, shall be repaid to the Issuer upon its written request by the Fiscal Agent, and the holder of any note to which such deposit related that is entitled to receive payment shall thereafter look only to the Issuer for the payment thereof and all liability of the Fiscal Agent with respect to such funds and the Fiscal Agency Agreement shall thereupon cease.

Further Issues

The Issuer may, from time to time, without the consent of the holders of any series of notes, create and issue further securities either having the same terms and conditions as any series of notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue may be consolidated and form a single series with such existing series of notes or having such other terms as the Issuer may determine at the time of issue.

Notices

Notices to the holders of the notes will be mailed to them at their respective addresses in the register of notes and shall be published (so long as the notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice will be deemed to have been given on the later of the date of such publication and the fourth day after being so mailed. So long as and to the extent that the notes are represented by global notes and such global notes are held by DTC, notices to owners of beneficial interests in the global notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders and such notice shall also be published in the *Luxemburger Wort* as aforesaid.

Definitions

Set forth below are definitions of certain of the terms used herein. Additional terms are defined elsewhere above or in the Fiscal Agency Agreement.

"Adjusted Consolidated Net Worth" means the aggregate of (a) the amount paid up or credited as paid up on the issued share capital (including ordinary shares and preference shares) of the Guarantor; and (b) the amounts standing to the credit of the Guarantor's consolidated reserves (including but not limited to any such balance on the share premium account, revaluation reserves and retained profits or losses); and (c) the amount of minority interests, all as shown by the then latest audited consolidated balance sheet of the Guarantor and its Subsidiaries; *provided, however*, that the aggregate of the amounts described in clauses (a) through (c) above shall be adjusted (to the extent that the same has not been taken into account in such latest audited consolidated balance sheet) by (i) deducting therefrom any amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is less than its book value in such latest audited consolidated balance sheet, and/or (ii) adding thereto the amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is greater than its book value in such latest audited consolidated balance sheet.

"Indebtedness for Borrowed Money" means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance and that is evidenced by any agreement or other instrument, excluding trade payables; *provided, however*, that for the purposes of determining the amount of Indebtedness for Borrowed Money of the Guarantor outstanding at any relevant time, the amount included as Indebtedness for Borrowed Money of the Guarantor in respect of finance leases shall be the net amount from time to time properly characterized as "obligations under finance leases" in accordance with generally accepted accounting principles and practices in Hong Kong.

"Lien" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind. The term "Lien" shall not include an unsecured guarantee or Liens arising by operation of law.

"Listed Principal Subsidiary" means any Principal Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other recognized stock exchange.

"Market Value" means (a) the best price at which the relevant asset (other than shares described in clause (b) below) is expected to be sold on the relevant date assuming (i) a willing seller; (ii) a reasonable period in which to negotiate the sale; (iii) values will remain constant during the negotiation period; (iv) the asset will be freely exposed to the market; and (v) there is no special purchaser; and (b) in the case of shares in associated companies which are quoted on any stock exchange, the value of such shares, having regard to the underlying net assets of such associated companies and the percentage holding of the Guarantor and its Subsidiaries in such associated companies, in each such case as reasonably determined by the board of directors of the Guarantor after deducting (or, where such Market Value is to result in an adjustment to the then latest audited consolidated balance sheet, adjusting for) an estimate of the direct tax liability (if any) which would arise on the sale of such asset at such price computed solely by reference to such sale price and the cost price for tax purposes.

"Outstanding Notes" means the notes offered hereby and all other 5.45% guaranteed notes due 2010, 6.25% guaranteed notes due 2014 and 7.45% guaranteed notes due 2033 that are fungible with and are consolidated with and form a single series with any of the Notes Due 2010, the Notes Due 2014 or the Notes Due 2033, as applicable, offered hereby, which notes are authenticated and delivered under the Fiscal Agency Agreement except (1) notes theretofore canceled by, or delivered for cancellation to, the Fiscal Agent; (2) notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Fiscal Agent for the holders of such notes, provided that if such notes are to be redeemed, notice of such redemption has been duly given pursuant to the Fiscal Agency Agreement and the notes; (3) notes which have been paid or purchased by or on behalf of the Issuer or by any person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer (in determining whether the Fiscal Agent shall be protected in making any calculation as to the aggregate principal amount of Outstanding Notes or in relying upon any request, demand, authorization, direction, notice, consent or waiver, only notes which a Responsible Officer of the Fiscal Agent has received written notice to have been so paid or purchased shall be so disregarded); (4) notes in exchange for or in lieu of which other notes have been authenticated and delivered pursuant to the Fiscal Agency Agreement; and (5) notes which have been defeased.

"Principal Subsidiary" means at any time a Subsidiary of the Guarantor: (a) as to which one or more of the following conditions is satisfied: (i) its net profits or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated net profits attributable to the Guarantor (in each case before taxation and extraordinary items) are at least 5% of the consolidated net profits of the

Guarantor and its Subsidiaries (in each case before taxation and extraordinary items); or (ii) its net assets or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor represent 5% or more of the consolidated net assets (after deducting minority interests in Subsidiaries) of the Guarantor and its Subsidiaries; all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Guarantor and its Subsidiaries, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by its auditors; (3) if the accounts of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary of the Guarantor is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Guarantor and its Subsidiaries; or (b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that the Subsidiary of the Guarantor which so transfers its assets and undertaking shall forthwith upon the transfer cease to be a Principal Subsidiary (but without prejudice to clause (a) above) and the Subsidiary of the Guarantor to which the assets and undertaking are so transferred shall become a Principal Subsidiary; and for this purpose a certificate by the auditors of the Guarantor as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"Subsidiary" means in relation to any person and at any particular time any entity of which more than 50% of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries.

TAXATION

Cayman Islands Taxation

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

The Issuer has received an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the Issuer or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Issuer to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Issuer.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands. Certificates evidencing the notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. An instrument of transfer in respect of a note if executed in or brought within the jurisdiction of the Cayman Islands will attract a Cayman Islands stamp duty of C.I.$100 (US$122).

Hong Kong Taxation

Under existing Hong Kong law neither the Issuer nor the Guarantor nor any paying agent will be required to declare or withhold for or on account of any Hong Kong taxes in respect of payments on the notes or the guarantee. The notes are not subject to Hong Kong stamp duty upon issue or on any subsequent transfer.

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest on the notes will be subject to Hong Kong profits tax where such interest is received by or accrues to:

(a) a financial institution (as defined in the Inland Revenue Ordinance) by way of interest which arises through or from the carrying-on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or

(b) a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Hong Kong is not party to any income tax treaty with the US.

The foregoing summary is of a general nature only and is based on Hong Kong law as of November 19, 2003 and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The foregoing summary does not purport to be a comprehensive description of all of the Hong Kong tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and does not purport to deal with the Hong Kong tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of notes should consult with their own professional tax advisors as to the particular consequences of holding the notes which may affect them.

United States Federal Income Taxation

The following summary describes the material US federal income tax consequences to US Holders (as defined below) of the ownership of notes held as capital assets. This summary applies only to US Holders that are purchasers of the notes at original issuance in accordance with the terms thereof. This summary does not address all US federal income tax consequences that may be relevant to US Holders in light of their particular circumstances or to US Holders subject to special treatment under US federal income tax laws, such as dealers or traders in securities or currencies, financial institutions, tax-exempt organizations, insurance companies, persons holding notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, real estate investment trusts, regulated investment companies, grantor trusts, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, persons who have ceased to be US citizens or to be taxed as resident aliens or US Holders of notes whose "functional currency" is not the US dollar. Furthermore, the summary below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and existing and proposed US Treasury regulations, rulings and judicial decisions thereunder as of November 19, 2003, and such authorities may be repealed, revoked or modified, resulting in US federal income tax consequences different from those discussed below. **Persons considering the purchase, ownership or disposition of notes should consult their own tax advisors concerning the US federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.**

As used herein, a "US Holder" of a note means a holder that for US federal income tax purposes is (1) a citizen or resident of the United States, (2) a corporation or other entity treated as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to US federal income taxation regardless of its source or (4) a trust (a) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code or (b) that has a valid election in effect under applicable US Treasury regulations to be treated as a United States person.

For US federal income tax purposes, income earned through a foreign or domestic partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds notes, the tax treatment of a partner or other owner will generally depend on the status of the partner or other owner and the activities of the partnership or other entity. A partner of a partnership holding notes should consult its tax advisor as to the associated tax consequences.

Payments of Interest

Interest (including any Additional Amounts or any Cayman Islands, Hong Kong or PRC tax withheld) on a note will generally be taxable to a US Holder as ordinary income at the time it is received or accrued in accordance with the US Holder's regular method of accounting for US federal income tax purposes. Interest income on a note generally will constitute foreign source income and generally will be considered "passive" income or "financial services" income, which are treated separately from other types of income in computing the foreign tax credit allowable to US Holders under US federal income tax laws. If Cayman Islands, Hong Kong or PRC tax is withheld, a US Holder may be entitled to a deduction or credit for such withholding tax subject to applicable limitations in the Code. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, a US Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any amount attributable to accrued interest, which will be recognized as ordinary interest income to the extent not previously included in income) and the US Holder's adjusted tax basis in a note. A US Holder's tax basis in a note generally will be the US Holder's cost therefor. Gain or loss recognized by a US Holder on the sale, exchange, retirement or other disposition of a note generally will be treated as US source gain or loss. Therefore, a US Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any Hong Kong profits tax imposed on the sale or disposition. See "Hong Kong Taxation". Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of notes. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss the note has been held for more than one year if at the time of sale, exchange, retirement or other disposition. Net long-term capital gains of noncorporate taxpayers, including individuals, may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal and interest on a note and to the proceeds of the sale or other disposition (including exchange) of a note made by a US agent or other US intermediary to US Holders other than certain exempt recipients (including, among others, corporations). Backup withholding will apply to such payments if the US Holder fails to provide its taxpayer identification number or, in the case of interest payments, fails either to report in full dividend and interest income or to make certain certifications.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the US Holder's US federal income tax liability provided the required information is furnished to the IRS.

US Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

European Union Directive on the Taxation of Savings Income

On June 3, 2003, the Council of the European Union adopted a Directive on the taxation of savings income under which Member States will generally be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other Member State. Exceptionally (and for a transitional period only which will end after agreement on exchange of information is reached between the European Union and certain non-European Union states) Belgium, Luxembourg and Austria will instead be required to withhold tax from such payments unless the holder of Notes authorizes the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. The Directive will, subject to certain conditions being satisfied, apply from January 1, 2005.

PLAN OF DISTRIBUTION

The Issuer has offered the notes through the initial purchasers named below (the "Initial Purchasers"). Subject to the terms and conditions contained in a purchase agreement dated November 19, 2003 (the "Purchase Agreement") among the Issuer, the Guarantor and the Initial Purchasers, the Issuer has sold to the Initial Purchasers, and each of the Initial Purchasers, severally and not jointly, has purchased from the Issuer, the principal amount of the Notes Due 2010, Notes Due 2014 and Notes Due 2033 listed opposite its name below.

Initial Purchasers	Principal Amount of Notes Due 2010	Principal Amount of Notes Due 2014	Principal Amount of Notes Due 2033
Citigroup Global Markets Inc.	US$ 300,000,000	US$ 400,000,000	US$ 300,000,000
Goldman Sachs (Asia) L.L.C.	300,000,000	400,000,000	300,000,000
The Hongkong and Shanghai Banking Corporation Limited	300,000,000	400,000,000	300,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	300,000,000	400,000,000	300,000,000
Deutsche Bank Securities Inc.	300,000,000	—	—
J.P. Morgan Securities Ltd.	—	400,000,000	—
Morgan Stanley & Co. International Limited	—	—	300,000,000
Total	US$1,500,000,000	US$2,000,000,000	US$1,500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the notes is subject to conditions contained in the Purchase Agreement such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Issuer has agreed to pay to the Initial Purchasers fees and commissions in the amount of US$28,125,000. The Initial Purchasers shall pay to the Issuer an aggregate amount of US$2,125,000 for, among other things, the reimbursement of certain of the Issuer's expenses incurred or to be incurred in connection with the transactions contemplated by the Purchase Agreement.

Each of the Issuer and the Guarantor has agreed with each of the Initial Purchasers in the Purchase Agreement that during the period from the date thereof to the date 180 days after the Time of Delivery, it will not offer, sell, contract to sell or otherwise dispose of, except for the notes to be sold under the Purchase Agreement, any securities of the Issuer (other than the notes) that are denominated in a currency in which the notes are denominated and are substantially similar to the notes or the guarantees of the Guarantor, without the prior written consent of the Representatives (as defined in the Purchase Agreement).

The Issuer and the Guarantor have agreed in the Purchase Agreement to indemnify the Initial Purchasers against certain losses that the Initial Purchasers incur in respect of certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

Commissions and Discounts

The Initial Purchasers have advised the Issuer and the Guarantor that they propose initially to offer the notes at the prices listed on the cover page of this listing circular and to dealers at such prices less concessions not in excess of 0.25% of the principal amount of the Notes Due 2010, 0.30% of the principal amount of the Notes Due 2014 and 0.50% of the principal amount of the Notes Due 2033. The Initial Purchasers may allow and the dealer may reallow discounts not in excess of 0.125% of the principal amount of the Notes Due 2010, 0.125% of the principal amount of the Notes Due 2014 and 0.25% of the principal amount of the Notes Due 2033 to other dealers. After the initial offering, the prices to investors, concessions and discounts may be changed.

The Notes Are Not Being Registered

Each of the Initial Purchasers proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. Each of the Initial Purchasers agreed that it will not offer or sell the notes except:

- through its respective US selling agents to persons it reasonably believes to be qualified institutional buyers in the United States within the meaning of Rule 144A under the Securities Act in transactions meeting the requirements of Rule 144A; and
- pursuant to offers and sales to non-US persons that occur outside the United States in offshore transactions in reliance on Regulation S.

Each of the Initial Purchasers has acknowledged and agreed that, except as permitted by the preceding paragraph, it will not offer or sell notes (i) as part of its distribution at any time, and (ii) otherwise until 40 days after the later of the date upon which the offering of the notes commences and the Time of Delivery, within the United States or to, or for the account or benefit of, US persons. Each of the Initial Purchasers has agreed that, at or prior to confirmation of a sale of notes (other than a sale of notes pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases notes from or through it prior to the expiration of such 40-day period a confirmation or notice setting forth the restrictions on offers and sales of notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the later of the commencement of this offering and the Time of Delivery, an offer or sale of the notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the US Securities Act of 1933 if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions".

Cayman Islands Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that it has not made, and will not make any invitation directly or indirectly to the public in the Cayman Islands to subscribe for any of the notes.

Hong Kong Selling Restrictions

Each of the Initial Purchasers has represented and agreed that

- it has not offered or sold and will not offer or sell or permitted to be offered or sold in Hong Kong, by means of any document, any notes, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and
- it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan Selling Restrictions

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Each of the Initial Purchasers has agreed that it has not, directly or indirectly, offered or sold any notes in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Netherlands Selling Restrictions

Each of the Initial Purchasers represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any notes other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

Singapore Selling Restrictions

This listing circular has not been registered as a prospectus with the Monetary Authority of Singapore. Each of the Initial Purchasers has agreed that it has not offered or sold any notes or made any notes the subject of an invitation for subscription or purchase and will not offer or sell any notes or make any notes the subject of an invitation for subscription or purchase, and it has not circulated or distributed and will not circulate or distribute this listing circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such notes, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274, Chapter 289 of the Singapore Securities and Futures Act (the "Securities and Futures Act"), (2) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

UK Selling Restrictions

Each of the Initial Purchasers has agreed that

- it has not offered or sold, and, prior to the expiry of the period of six months from the Time of Delivery, will not offer or sell any notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

- it has complied with, and will comply with, all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom; and

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

Price Stabilization and Short Positions

In connection with the offering, the Initial Purchasers may, to the extent permitted by the relevant laws, rules and regulations of the appropriate jurisdiction, engage in transactions that stabilize the market prices of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the prices of the notes. If the Initial Purchasers create a short position in the notes in connection with the offering, i.e., if it sells more notes than are listed on the cover page of this listing circular, such Initial Purchasers may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of these purchases.

Neither the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, neither the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation that any Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Listing

Application has been made to list the notes on the Luxembourg Stock Exchange. No assurance can be given as to the liquidity of, or trading market for, the notes. The Issuer cannot guarantee that the application to the Luxembourg Stock Exchange will be approved. The offering and the settlement of the notes is not conditional on obtaining listing on such exchange.

Other Relationships

Certain of the Initial Purchasers or their affiliates have engaged and may engage in investment banking and other commercial dealings in the ordinary course of business with the Guarantor and certain of its affiliates. They have received and may receive fees and commissions for these services.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the notes.

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. It (A)(i) is a qualified institutional buyer, (ii) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (iii) is acquiring such notes for its own account or the account of a qualified institutional buyer or (B) is outside the US and is not a US person (as defined in Regulation S);

2. it acknowledges that the notes and the guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the US except as set forth below;

3. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes or any beneficial interests in any notes other than notes represented by a Regulation S global certificate, such notes may be resold, pledged or transferred only (A) by an initial investor (i) to the Issuer or to the Guarantor or any subsidiary thereof, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) (resales described in subclauses (i) through (iv) of this clause (A), "Safe Harbor Resales"), or (B) by a subsequent investor, in a Safe Harbor Resale or pursuant to any other available exemption from the registration requirements under the Securities Act (provided that, as a condition to the registration of transfer of any notes otherwise than in a Safe Harbor Resale, the Issuer, the Guarantor or the Fiscal Agent may require delivery of any documents or other evidence (including but not limited to an opinion of counsel) that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption), or (C) pursuant to an effective registration statement under the Securities Act, and in each of such cases, in accordance with any applicable securities laws of any state of the US and any other jurisdiction;

4. it agrees to, and each subsequent holder is required to, notify any purchaser of the notes from it of the resale restrictions referred to in clause 3 above, if then applicable;

5. it understands and agrees that (A) notes initially offered in the US to qualified institutional buyers will be represented by Rule 144A global certificates and (B) that notes offered outside the US in reliance on Regulation S will be represented by Regulation S global certificates;

6. it understands that the notes, other than notes represented by the Regulation S certificates, will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF HUTCHISON WHAMPOA INTERNATIONAL (03/33) LIMITED (THE "ISSUER") AND HUTCHISON WHAMPOA LIMITED (THE "GUARANTOR") THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) BY AN INITIAL INVESTOR (AS DEFINED BELOW) (1) TO THE ISSUER OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) (RESALES

DESCRIBED IN SUBCLAUSES (1) THROUGH (4) OF THIS CLAUSE (A), "SAFE HARBOR RESALES"), OR (B) BY A SUBSEQUENT INVESTOR, IN A SAFE HARBOR RESALE OR PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY SECURITIES OTHERWISE THAN IN A SAFE HARBOR RESALE, THE ISSUER, THE GUARANTOR OR THE TRANSFER AGENT MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE (INCLUDING BUT NOT LIMITED TO AN OPINION OF COUNSEL) THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION), OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

FOR ALL PURPOSES OF THIS SECURITY, THE TERM "INITIAL INVESTOR" MEANS ANY PERSON WHO, IN CONNECTION WITH THE INITIAL DISTRIBUTION OF THIS SECURITY, ACQUIRES SUCH SECURITY FROM THE ISSUER OR THE INITIAL PURCHASERS (AS SUCH TERM IS DEFINED IN THE FISCAL AGENCY AGREEMENT) PARTICIPATING IN SUCH DISTRIBUTION OR ANY AFFILIATE OF ANY OF THE FOREGOING.";

7. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes represented by Regulation S certificates or any beneficial interest in any notes represented by Regulation S certificates, such notes may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in paragraph (8) below;

8. it understands that the notes represented by Regulation S certificates will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE TIME OF DELIVERY, AS DEFINED IN THE PURCHASE AGREEMENT DATED NOVEMBER 19, 2003 (THE "DISTRIBUTION COMPLIANCE PERIOD"), EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (B) WITHIN THE UNITED STATES TO A PERSON THAT THE TRANSFEROR, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, PROVIDED, HOWEVER, THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFER AGENT SHALL HAVE RECEIVED A WRITTEN CERTIFICATION (IN THE FORM(S) PROVIDED IN THE FISCAL AGENCY AGREEMENT) (1) FROM THE TRANSFEREE TO THE EFFECT THAT SUCH TRANSFEREE (X) IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT (OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OVER WHICH ACCOUNT IT EXERCISES SOLE INVESTMENT DISCRETION) AND (Y) AGREES TO COMPLY WITH THE RESTRICTIONS ON TRANSFER SET FORTH UNDER "TRANSFER RESTRICTIONS" IN THE OFFERING MEMORANDUM DATED NOVEMBER 19, 2003 AND (2) FROM THE TRANSFEROR TO THE EFFECT THAT THE TRANSFER WAS MADE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE CERTIFICATIONS CONTEMPLATED BY CLAUSE (1) (X) AND CLAUSE (2) OF THE PRECEDING PARAGRAPH SHALL NO LONGER BE REQUIRED, BUT THE TRANSFEREE WILL STILL BE REQUIRED TO CERTIFY AS PROVIDED BY CLAUSE (1) (Y) OF SUCH PARAGRAPH. UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE NOTES REPRESENTED BY THE REGULATION S CERTIFICATES SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION, THE OFFER OR SALE OF THE NOTES REPRESENTED BY THE REGULATION S CERTIFICATES BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.";

9. it acknowledges that, prior to any proposed transfer of notes in certificated form or of beneficial interests in notes represented by a global certificate (in each case other than pursuant to an effective registration statement), the holder of notes or the holder of beneficial interests in notes represented by a global certificate, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Fiscal Agency Agreement; and

10. it acknowledges that the Issuer, the Guarantor and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representation and agreements and agrees that, if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of notes are no longer accurate, it shall promptly notify the Issuer and the Guarantor, and if it is acquiring any notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the Fiscal Agency Agreement to effect exchanges of transfer of interests in notes represented by a global certificate and of notes in certificated form, see "Description of the Notes and the Guarantee — Notes: Delivery and Form".

AVAILABLE INFORMATION

In order to preserve the exemptions for resales and transfers pursuant to Rule 144A, the Guarantor has agreed to furnish, upon the request of any holder of a note or of a beneficial interest in a note represented by a global certificate, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act to such holder or beneficial owner or to a prospective purchaser of such note or interest in a note represented by a global certificate in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such note by such holder or of such beneficial interest by such beneficial owner, unless, at the time of such request, the Guarantor is subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to furnish the US Securities and Exchange Commission with certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

RATINGS

The notes have been rated "A-" from Fitch, "A3" from Moody's and "A-" from S&P. The credit ratings accorded to the notes are not a recommendation to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant or that other credit agencies will issue credit ratings.

VALIDITY OF THE NOTES AND THE GUARANTEE

The validity of the notes and the guarantee and certain additional legal matters under United States law will be passed upon for the Issuer and the Guarantor by Shearman & Sterling LLP. Certain legal matters under Cayman Islands law with respect to the notes will be passed upon for the Issuer by Maples and Calder Asia. Certain legal matters under Hong Kong law with respect to the notes and guarantee will be passed upon for the Issuer and the Guarantor by Woo, Kwan, Lee & Lo. Linklaters has acted as counsel to the Initial Purchasers with respect to certain matters of United States law.

INDEPENDENT AUDITORS

The consolidated financial statements of Hutchison as of December 31, 2000, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002 included in this listing circular have been audited by PricewaterhouseCoopers, independent auditors, as stated in their reports appearing herein. The consolidated financial information of Hutchison as of June 30, 2002 and 2003 and for the six months ended June 30, 2002 and 2003 included in this listing circular have not been audited by PricewaterhouseCoopers.

GENERAL INFORMATION

1. The notes represented by Regulation S global certificates have been accepted for clearance through Clearstream and Euroclear with the following Common Codes, the CUSIP Numbers for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates and the International Security Identification Numbers ("ISIN") for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates:

	Notes Due 2010	Notes Due 2014	Notes Due 2033
Common Code for Rule 144A Global Certificates	018123967	018124530	018124572
Common Code for Regulation S Global Certificates.	018124238	018124548	018124629
CUSIP Number for Rule 144A Global Certificates	44841SAA7	44841SAB5	44841SAC3
CUSIP Number for Regulation S Global Certificates.	G4672CAA3	G4672CAB1	G4672CAC9
ISIN for Rule 144A Global Certificates	US44841SAA78	US44841SAB51	US44841SAC35
ISIN for Regulation S Global Certificates	USG4672CAA39	USG4672CAB12	USG4672CAC94

2. Application has been made to list the notes on the Luxembourg Stock Exchange. The legal notice relating to the issue of the notes, the Memorandum and Articles of Association of each of the Issuer and the Guarantor will be registered prior to the listing with the Trade and Companies Register (*Registre de commerce et des Société*) in Luxembourg, where such documents are available for inspection and where copies thereof can be obtained upon request. In the event that, and for so long as the notes are listed on the Luxembourg Stock Exchange, the Issuer will retain a Paying Agent and a Transfer Agent in Luxembourg to pay interest and principal on the notes.

3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorizations as may be required in connection with the issue and performance of the notes, except as disclosed in this listing circular. The issue of the notes was approved by resolutions of the Issuer passed on November 14, 2003 and the giving of the guarantee of the notes by the Guarantor was authorized by resolutions of the Guarantor passed on November 14, 2003.

4. Except as disclosed in this listing circular, there has been no material adverse change in the financial position or prospects of Hutchison since June 30, 2003 and there has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation.

5. Other than as referred to elsewhere in this listing circular, neither the Issuer nor the Guarantor nor any of the Guarantor's subsidiaries is involved in any litigation or arbitration proceedings that if determined adversely to the Guarantor or any of its subsidiaries would, in the aggregate, have a material adverse effect on the consolidated financial position of the Guarantor and the Guarantor's subsidiaries (including the Issuer) taken as a whole, nor is the Issuer, the Guarantor or any of the Guarantor's subsidiaries aware that any such proceedings are pending or threatened.

6. A copy of the Memorandum and Articles of Association of each of the Issuer and the Guarantor and copies of the Fiscal Agency Agreement and the Purchase Agreement will, in the event that, and for as long as, the notes are listed on the Luxembourg Stock Exchange, be available for inspection during usual business hours on any weekday (except public holidays) at the offices of the Luxembourg Listing Agent. As long as any of the notes remains outstanding, copies of the Guarantor's annual report in English prepared in accordance with the rules and regulations of the SEHK and its most recent unaudited semi-annual interim report in English for each of the two financial years immediately preceding the issue of this listing circular prepared in accordance with the rules and regulations of the

SEHK will be delivered to and be obtainable from the specified offices of the Paying Agent in Luxembourg in the event that, and for so long as, the notes are listed on the Luxembourg Stock Exchange. The Guarantor does not publish full non-consolidated annual financial statements. The Guarantor does publish a non-consolidated annual balance sheet and certain notes thereto which are included in the financial statements in this listing circular. This information and all future non-consolidated annual balance sheets of the Guarantor will be made available at the offices of the Paying Agent in Luxembourg in the event that, and for so long as, the notes are listed on the Luxembourg Stock Exchange until the earlier of such date that all of the notes have been redeemed or the Maturity Date.

7. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under Cayman Islands law. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions.

8. According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the notes shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

9. Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which were amended on May 16, 2000 and are applicable for accounting periods ending on or after July 1, 2000, the Guarantor is required to publish an annual report containing the audited non-consolidated balance sheet of the Guarantor and the audited consolidated financial statements of the Guarantor not later than four months after the date upon which the financial period ended. The Guarantor is also required to publish a semi-annual interim report, which should be reviewed by the Guarantor's auditors or audit committee, containing the unaudited consolidated balance sheet, income statement and cash flow statement, each with comparatives, and a statement of movements in equity of the Guarantor for the first six months of each financial year not later than three months after the end of that six-month period. The Guarantor does not publish audited interim consolidated nor non-consolidated financial statements.

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN HONG KONG GAAP AND US GAAP

The audited consolidated financial statements of Hutchison are prepared and presented in accordance with Hong Kong GAAP, which differ in certain significant respects from US GAAP. Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures, which the Company has not made, required by US GAAP.

Certain significant measurement differences between Hong Kong GAAP and US GAAP relevant to Hutchison's consolidated financial statements are summarized below. This summary should not be construed to be exhaustive. No attempt has been made to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Hutchison, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Hong Kong GAAP and US GAAP, and how these differences might affect the financial information herein. Additionally, no attempt has been made to identify future differences between Hong Kong GAAP and US GAAP as the result of prescribed changes in accounting standards and regulations. Regulatory bodies that promulgate Hong Kong GAAP and US GAAP have significant ongoing projects that could affect future comparisons such as this one. Finally, no attempt has been made to identify all future differences between Hong Kong GAAP and US GAAP that may affect Hutchison's consolidated financial statements as a result of transactions or events that may occur in the future.

Asset Impairment

Prior to 2001, Hong Kong did not have any accounting rules prescribing the circumstances in which impairment of non-current assets should be recognized nor the basis for determining the amount of such impairment. Effective January 1, 2001 Hutchison adopted Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 31 "Impairment of Assets" (excluding investment properties — see below) which states that when indicators exist that there is an impairment, the carrying value of the assets should be adjusted to the recoverable amounts, calculated as the future discounted cash flows expected to result from use and eventual disposal of the asset. Where the recoverable amount is below carrying value, a provision for impairment would be recognized in the profit and loss account except where such provision reverses a previous upward revaluation which was credited directly to reserves. When the circumstances and events that led to the provision for impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, such provisions would be written back through the profit and loss account, or for certain assets where the revaluation is above cost to the appropriate revaluation reserve. The amount written back should not exceed the amount of the provision for impairment.

US GAAP requires an impairment loss to be recognized for long-lived assets, including property, plant and equipment and certain identifiable intangibles where a triggering event occurs and the carrying amount of the asset exceeds the future undiscounted cash flows expected to result from use and eventual disposal of the asset. If it is determined that the asset is impaired, the impairment loss recognized is the difference between the carrying amount of the asset and its fair value, being either market value or the sum of future discounted cash flows. Once such impairments have been recorded, subsequent recoveries are not allowed.

Accounting for Investment Properties

Under Hong Kong GAAP, real estate investment properties are accounted for at their open market value based on existing use as determined by an annual professional valuation. Changes in the value of the investment properties are accounted for in the investment properties revaluation reserve. If the balance of this reserve is insufficient to cover any decrease in the value of the investment properties on a portfolio basis, such deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant amount in revaluation reserve is recognized in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less.

Under US GAAP, real estate investment properties are measured at cost less accumulated depreciation and any related impairment. Investment properties are depreciated based on the historical cost over the shorter of the remaining terms of the lease and the expected useful life.

Liquid Funds and Other Investments

In accordance with Hong Kong GAAP, Hutchison's liquid funds and other investments have been classified as listed held-to-maturity debt securities and listed equity securities ("equity securities"). Listed held-to-maturity debt securities are carried at amortized cost less provision for impairment in value.

Equity securities are carried at fair value and represent listed investments in companies, which are neither subsidiaries nor associated companies nor joint ventures. Changes in the value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. Such provisions would be written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. The amount written back should not exceed the amount of the write-downs or write-offs. Upon disposal of equity securities, the relevant revaluation surplus or deficit is recorded in the profit and loss account.

Other unlisted investments are carried at cost less provision for impairment in value and represent investments in unlisted held-to-maturity debt securities and unlisted equity securities.

Under US GAAP, trading securities held in anticipation of short-term market movements and for resale to customers are carried at fair value. Realized and unrealized gains and losses are recognized currently in income. Readily-marketable equity securities not considered trading assets are classified as available-for-sale ("AFS"). Debt securities are classified as either AFS or held-to-maturity ("HTM") securities. HTM securities are debt securities that management has the positive intent and ability to hold to maturity. HTM securities are carried at cost, net of the amortization of any premium and the accretion of any discount. AFS securities are those debt and readily-marketable equity securities that are neither trading assets nor HTM. AFS securities are reported at fair value, with unrealized gains and losses recorded, net of tax, as a separate component of comprehensive income. Unrealized losses on individual securities that are deemed to be other than temporary are recognized currently in income. The new cost basis is not changed for subsequent recoveries in fair value. Investments in equity securities without a readily determinable fair value are required to be stated at cost subject to provision for any impairment in value.

Hedging and Derivative Activities

There is no specific standard for accounting for derivative contracts under Hong Kong GAAP. Hutchison enters into forward foreign exchange contracts and interest rate swaps to hedge the impact of foreign currency exposures and fluctuations in interest rates. Hutchison does not recognize such contracts or embedded derivatives at fair value, nor does it account for the gains or losses relating to the fair value changes in these contracts as this is not required under Hong Kong GAAP.

Under US GAAP, Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" (and related amendments and interpretations) became effective January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value. If certain specified criteria related to designation, documentation and effectiveness are met, a derivative may be accounted for as one of three types of hedges. Those types of hedges include fair value, cash flow and net investment in a foreign subsidiary. Hedge accounting treatment, which is different for each type of hedge, permits the change in fair value of the derivative to be "matched" with the effect of the risk being hedged. If the certain specified criteria are not met, changes in the fair value of the derivative must be recognized through income.

Purchase Accounting, Goodwill and Other Intangible Assets

Purchase Accounting

Prior to January 1, 2001, under Hong Kong GAAP, there was no mandatory accounting standard on determining the fair value of the net assets acquired or on goodwill and other intangible assets. In certain circumstances, Hutchison has determined the fair value of specialized assets acquired using discounted cash flows on an existing use basis, thereby affecting the amount of goodwill recorded.

Prior to July 1, 2001, under US GAAP, Accounting Principles Board Opinion ("APB") No. 16 "Business Combinations" provided for two methods of accounting for a business combination involving other than commonly controlled entities, namely the purchase method and the pooling of interest method. A business combination that met certain specific conditions must be accounted for by the pooling of interests method; all other business combinations must be accounted for by the purchase method. SFAS 141 "Business Combinations", effective for transactions after July 1, 2001, replaces APB 16 and eliminates pooling-of-interests accounting. It also provides additional guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill.

Goodwill and Other Intangible Assets

Prior to January 1, 2001, under Hong Kong GAAP, there was no mandatory accounting standard on determining the value of goodwill and intangible assets acquired pursuant to the acquisition of a subsidiary, associated company, or joint venture. Goodwill, representing the excess of the cost over the fair value of Hutchison's share of the net assets of acquired, was written off directly to reserves in the year of acquisition. Intangible assets were to be recorded at fair value where it was probable that any associated future economic benefits would flow to, or resources embodying economic benefits would flow from, the acquirer and a reliable measure was available of their cost or fair value. Hutchison estimated the value of such intangible assets and amortized these assets over their estimated useful lives or stated such assets at cost, depending upon the specific circumstances.

Upon adoption of SSAP 30 "Business Combinations", which is effective from January 1, 2001, goodwill and intangible assets acquired pursuant to business combinations are required to be reported in the balance sheet as separate assets or, as applicable, included within investments in associated companies and joint ventures, and are amortized using the straight line method over their estimated useful lives, generally a period not exceeding 20 years. No retrospective adjustments to the goodwill previously written off or intangible assets previously recorded were required upon implementation.

Prior to July 1, 2001, under US GAAP, goodwill and other intangible assets were amortized over their estimated useful lives not to exceed 40 years. Upon the adoption of SFAS 142 "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001, intangible assets are amortized over their useful lives unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are not amortized. However, such assets will be tested for impairment on a regular basis.

Development Costs

Under HK GAAP, costs relating to the development of telecommunication products, content and services that meet certain strict criteria regarding feasibility are capitalized and amortized over their useful economic lives in accordance with Hong Kong SSAP No. 29 "Intangible Assets".

Under US GAAP, such costs of development are required to be expensed as incurred.

Derecognition of Financial Assets

Hong Kong GAAP contains no prescriptive rules for derecognizing financial assets.

Under US GAAP, a transfer of financial assets should be accounted for as a sales transaction only if the transferor has surrendered control over the transferred assets as evidenced by fulfilment of specified criteria. When a transfer meets the specified criteria for sale, the transferor shall derecognize the assets sold, recognize all assets obtained and liabilities incurred, including servicing assets and liabilities arising from service contracts, at fair value, and recognize a gain or loss in connection with the sale. If the transfer of financial assets does not meet the criteria for sales treatment, the transferor shall continue to carry the financial assets transferred on its consolidated balance sheet and account for the transaction as a secured borrowing.

Deferred Taxation

Under Hong Kong GAAP, deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences. Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallize. Deferred tax net debit balances are not carried forward as assets, except to the extent that they are expected to be recoverable.

US GAAP generally requires that deferred taxation be provided for all future taxable temporary differences, regardless of when reversal is anticipated. US GAAP also requires the recognition of deferred tax assets on future deductible temporary differences and tax loss and credit carry forwards with recognition of a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized.

Restructuring and Other Provisions

Prior to January 1, 2001, Hutchison and its subsidiaries periodically established provisions for restructuring and/or closure of selected operations, estimated future losses of establishing businesses and other costs expected to be incurred in the future. Such provisions were established on the basis of Hong Kong GAAP. With effect from January 1, 2001, Hutchison adopted SSAP 28 "Provisions, contingent liabilities and contingent assets". Under SSAP 28, provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Certain of the provisions recorded by Hutchison would be required to be adjusted, and any related expenses incurred recognized in different periods, to conform with the more prescriptive requirements of US GAAP. Additionally, certain provisions that are included in profit on disposal of investments less provisions would be reclassified as operating expenses under US GAAP.

Pension Costs

Hutchison operates several defined benefit schemes. Under Hong Kong GAAP, prior to January 1, 2002, contributions to such schemes were charged to the profit and loss account as incurred. Subsequent to January 1, 2002, pension costs are assessed using the projected unit credit method in accordance with SSAP 34 and the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on a periodic basis. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of the benefit obligations. Cumulative unrecognized net actuarial gains and losses at the previous financial year-end to the extent of the amount in excess of 10% of the greater of the present value of the plan obligation and the fair value of the plan assets at the date are recognized over the average remaining service lives of employees. Past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. There is no requirement to recognize the minimum pension liability related to the amount by which a plan is underfunded. An asset recognized is limited to the unrecognized actuarial losses, and past service cost and the present value of any available funds from the plan or reduction in future contribution to the plan.

Under US GAAP, retirement benefits, including pension cost and any asset or liability related to defined benefit plans, are to be recognized and computed using the actuarial appraisal approach known as the projected unit credit method. The net pension cost for a period includes (i) service cost, (ii) interest cost, (iii) actual return on plan assets, (iv) amortization of unrecognized prior service cost, (v) gains and losses to the extent recognized and (vi) amortization of a transition asset or liability at the date of initial application. A liability is recognized if net periodic pension cost exceeds the amounts actually funded for the period. An asset is recognized if net periodic pension cost is less than the amounts funded for the period. Past service cost is recognized over the remaining service lives of active employees.

Profit Recognition on Real Estate Development and Sales

In Hong Kong, it is common for property, primarily residential, to be sold in advance of its completion. As allowed under Hong Kong GAAP, Hutchison recognizes profit on sales of property developed for resale on the date when the sale is completed, or the date the occupation permit is issued, whichever is later.

Under US GAAP, profit is recognized in full on real estate sales using the full accrual method if the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and the earning process is virtually complete, that is, the seller is not obligated to perform significant activities after the sale to earn the profit.

For retail commercial property sales, profit is recognized in full when the development is completed and other specific conditions relating to the expiration of the refund period, the amount of cumulative payments received, the receivable collection experience on the project as a whole and non-subordination of receivables are met. Where these conditions are met but the development is not completed, profit is required to be recognized by the percentage of completion method, provided the development has proceeded beyond its preliminary stages, can be completed according to plan and is practical. Where the conditions relating to collectibility of receivables have not been met, profit is required to be recognized using the instalment method, if the conditions regarding the expiration of the refund period and the sufficiency of cumulative payments have been met and the seller is financially capable. If a retail land sale does not meet the criteria for accounting using the full accrual, percentage of completion or instalment methods of revenue recognition then cash received from a buyer is accounted for as a deposit. Profit on construction in progress is required to be recognized either on the completed contract or percentage of completion method, depending on the circumstances.

Capitalization of Interest

Under Hong Kong GAAP, directly attributable interest costs on funds borrowed during the construction period and exchange gains and losses for a regulated associate are capitalized as fixed assets.

Under US GAAP, interest attributable to the construction of fixed assets for the company's own use or for sale or lease is capitalizable during the construction or acquisition period. Interest on borrowings related to the relevant fixed assets and on borrowings that could have been avoided if expenditures for the assets had not been made is capitalizable. Exchange gains and losses and other indirect costs are generally expensed as incurred. Interest expense incurred during the construction of network assets are required to be capitalized until the asset is available for use.

Investment in Other Joint Ventures

Under Hong Kong GAAP, other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for impairment in value. Cost includes capital contributions and loans to the joint ventures, capitalized interest on related loans incurred up to the date of operations, and, in circumstances where Hutchison acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income, calculated based on agreed rate of return, is recognized on the accrual basis throughout the joint venture period and includes in turnover.

In certain circumstances, US GAAP may require the investment in such joint ventures to be accounted for using the equity method.

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CONSOLIDATED FINANCIAL STATEMENTS OF HUTCHISON

AUDITORS' REPORT

To the Shareholders of Hutchison Whampoa Limited
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages F-5 to F-52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2003

AUDITORS' REPORT

To the Shareholders of Hutchison Whampoa Limited
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages F-5 to F-52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Company and of the Group at 31 December 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2002

AUDITORS' REPORT

To the Shareholders of Hutchison Whampoa Limited
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages F-5 to F-52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December

	Note	2002	2002	As Restated 2001	As Restated 2000
		US$ millions		HK$ millions	
Turnover					
Company and subsidiary companies	2	9,646	75,235	61,460	57,022
Share of associated companies and jointly controlled entities		4,601	35,894	27,578	27,803
	3	14,247	111,129	89,038	84,825
Company and subsidiary companies					
Turnover		9,646	75,235	61,460	57,022
Cost of inventories sold		3,529	27,521	23,274	23,332
Staff costs		1,508	11,761	8,875	7,648
Depreciation and amortisation		702	5,478	3,827	3,222
Other operating expenses		1,826	14,244	10,902	9,462
		2,081	16,231	14,582	13,358
Share of profits less losses of associated companies		813	6,344	5,650	4,460
Share of profits less losses of jointly controlled entities		240	1,872	1,477	1,680
Earnings before interest and other finance costs and taxation	3&4	3,134	24,447	21,709	19,498
Interest and other finance costs, including share of associated companies and jointly controlled entities	5	909	7,093	8,767	7,914
Profit before profit on disposal of investments less provisions		2,225	17,354	12,942	11,584
Profit on disposal of investments less provisions	6	195	1,524	3,124	25,742
Profit before taxation		2,420	18,878	16,066	37,326
Taxation	8	349	2,724	2,276	1,958
Profit after taxation		2,071	16,154	13,790	35,368
Minority interests		239	1,866	1,810	1,299
Profit attributable to shareholders	9	1,832	14,288	11,980	34,069
Dividends	10	946	7,375	7,375	7,375
Earnings per share	11	US$0.43	HK$3.35	HK$2.81	HK$7.99

CONSOLIDATED BALANCE SHEET
at 31 December

	Note	2002	2002	As Restated 2001	As Restated 2000
		US$ millions		HK$ millions	
ASSETS					
Non-current assets					
Fixed assets	12	18,491	144,230	102,756	85,438
Other non-current assets	13	12,224	95,349	86,003	87,684
Goodwill	14	1,014	7,907	405	—
Associated companies	16	5,991	46,731	38,332	39,203
Interests in joint ventures	17	4,515	35,215	38,297	39,533
Liquid funds and other listed investments	18	9,692	75,597	71,204	127,446
Total non-current assets		51,927	405,029	336,997	379,304
Cash and cash equivalents	19	5,494	42,852	47,374	47,375
Other current assets	19	5,866	45,755	46,838	14,633
Current liabilities	20	10,696	83,429	46,883	44,959
Net current assets	21	664	5,178	47,329	17,049
Total assets less current liabilities		52,591	410,207	384,326	396,353
Non-current liabilities					
Long term liabilities	22	18,150	141,569	129,018	107,004
Deferred tax liabilities	24	30	231	200	100
Pension obligations	25	89	695	131	—
Total non-current liabilities		18,269	142,495	129,349	107,104
Minority interests	26	5,325	41,536	36,900	35,989
Net assets		28,997	226,176	218,077	253,260
CAPITAL AND RESERVES					
Share capital	27	137	1,066	1,066	1,066
Reserves		28,860	225,110	217,011	252,194
Shareholders' funds		28,997	226,176	218,077	253,260

FOK Kin-ning, Canning
Director

Frank John SIXT
Director

BALANCE SHEET OF THE COMPANY, UNCONSOLIDATED
at 31 December

	Note	2002	2002	2001	2000
		US$ millions		HK$ millions	
ASSETS					
Non-current assets					
Subsidiary companies	15	6,626	51,684	48,760	60,744
Current assets	19	705	5,501	8,000	7,400
Current liabilities	20	9	71	64	372
Net current assets		696	5,430	7,936	7,028
Total assets less current liabilities		7,322	57,114	56,696	67,772
Non-current liabilities					
Long term liabilities		—	—	—	11,700
Net assets		7,322	57,114	56,696	56,072
CAPITAL AND RESERVES					
Share capital	27	137	1,066	1,066	1,066
Reserves	28	7,185	56,048	55,630	55,006
Shareholders' funds		7,322	57,114	56,696	56,072

FOK Kin-ning, Canning
Director

Frank John SIXT
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December

	Note	2002	2002	As Restated 2001	As Restated 2000
		US$ millions		HK$ millions	
Operating activities					
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	29(a)	4,266	33,273	33,027	48,607
Share of EBITDA of associated companies and jointly controlled entities		(1,578)	(12,306)	(11,173)	(8,817)
Dividends received from associated companies and jointly controlled entities		425	3,317	2,539	2,573
Distribution from property jointly controlled entities		468	3,653	825	4,463
Profit on disposal of subsidiary and associated companies and jointly controlled entities		(95)	(742)	(597)	(1,720)
Loss (profit) on disposal of unlisted investments		3	25	(7)	(101)
Interest and other finance costs		(675)	(5,262)	(6,952)	(6,460)
Hong Kong profits tax paid		(72)	(567)	(794)	(575)
Overseas profits tax paid		(84)	(660)	(417)	(267)
Loss on disposal of fixed assets		13	105	120	79
Funds from operations		2,671	20,836	16,571	37,782
Changes in working capital	29(b)	509	3,967	(1,741)	(10,207)
Cash flows from operating activities		3,180	24,803	14,830	27,575
Investing activities					
Purchase of fixed assets		(1,399)	(10,916)	(6,761)	(6,198)
Purchase of 3G related fixed assets		(3,626)	(28,282)	(7,532)	(126)
Purchase of 3G licences		(23)	(180)	(1,684)	(80,039)
Purchase of subsidiary companies	29(c)	(1,139)	(8,888)	(3,827)	(1,466)
Purchase of and advances to associated companies		(825)	(6,436)	(2,874)	(16,428)
Purchase of and advances to jointly controlled entities		(458)	(3,572)	(4,974)	(8,504)
Additions to joint ventures		—	—	—	(180)
Additions to unlisted investments		(69)	(538)	(1,909)	(2,831)
Repayment from associated companies and non-property jointly controlled entities and other joint ventures		200	1,567	4,917	6,561
Proceeds on disposal of fixed assets		23	176	99	73
Proceeds on disposal of subsidiary companies	29(d)	130	1,014	1,387	26,024
Proceeds on disposal of associated companies		21	167	—	—
Proceeds on disposal of jointly controlled entities		5	36	—	—
Proceeds on disposal of other joint ventures		—	—	973	450
Proceeds on disposal of other unlisted investments		161	1,258	1,773	1,480
Subtotal		(6,999)	(54,594)	(20,412)	(81,184)

	Note	2002	2002	As Restated 2001	As Restated 2000
		US$ millions		HK$ millions	
Liquid funds and other listed investments					
Disposal of liquid funds and other listed investments		3,546	27,662	18,055	42,914
Additions to liquid funds and other listed investments		(2,884)	(22,495)	(22,795)	(14,556)
Net transfer from (to) liquid funds and other listed investments		662	5,167	(4,740)	28,358
Cash flows from investing activities		(6,337)	(49,427)	(25,152)	(52,826)
Financing activities					
Net cash flows from financing activities	29(e)	3,720	29,016	19,743	40,458
Dividends paid to minority shareholders		(197)	(1,539)	(2,047)	(1,213)
Dividends paid to shareholders		(946)	(7,375)	(7,375)	(6,632)
Cash flows from financing activities		2,577	20,102	10,321	32,613
Increase/(decrease) in cash and cash equivalents		(580)	(4,522)	(1)	7,362
Cash and cash equivalents at 1 January		6,074	47,374	47,375	40,013
Cash and cash equivalents at 31 December		5,494	42,852	47,374	47,375
Analysis of cash, liquid funds and other listed investments					
Cash and cash equivalents, as above	29(f)	5,494	42,852	47,374	47,375
Managed funds, overseas		4,375	34,128	23,794	16,704
Listed held-to-maturity debt securities		2,209	17,232	7,346	2,711
Listed equity securities, Hong Kong		439	3,427	3,473	4,813
Listed equity securities, overseas		4,142	32,307	63,176	99,044
Long term deposits		41	321	173	4,174
Liquid funds and other listed investments	18	11,206	87,415	97,962	127,446
Total cash, liquid funds and other listed investments		16,700	130,267	145,336	174,821
Bank and other interest bearing borrowings		23,141	180,496	146,992	124,526
Net debt (Net cash)		6,441	50,229	1,656	(50,295)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

	Share Capital	Share Premium	Revaluation Reserves	Exchange Reserve	Retained Profit	Total
			HK$ millions			
At 1 January 2002, as previously reported . .	1,066	28,359	11,847	(6,889)	183,890	218,273
Prior year adjustment (note 1A)	—	—	—	—	(196)	(196)
At 1 January 2002, as restated	1,066	28,359	11,847	(6,889)	183,694	218,077
Company and subsidiary companies' profit for the year.	—	—	—	—	12,468	12,468
Share of reserves of associated companies . . .	—	—	(315)	271	2,043	1,999
Share of reserves of jointly controlled entities.	—	—	278	(1)	(223)	54
Net goodwill realised upon disposal of subsidiary and associated companies and jointly controlled entities.	—	—	—	—	88	88
Revaluation deficit on Vodafone and Deutsche Telekom shares	—	—	(3,105)	—	—	(3,105)
Revaluation deficit on other investments	—	—	(1,767)	—	—	(1,767)
Valuation released upon disposal of other investments	—	—	(8)	—	—	(8)
Revaluation deficit on investment properties. . . .	—	—	(1,856)	—	—	(1,856)
Exchange translation differences.	—	—	—	7,601	—	7,601
2001 final dividend paid. . . .	—	—	—	—	(5,201)	(5,201)
2002 interim dividend paid. .	—	—	—	—	(2,174)	(2,174)
At 31 December 2002	1,066	28,359	5,074	982	190,695	226,176

	Share Capital	Share Premium	Revaluation Reserves	Exchange Reserve	Retained Profit	Total
			HK$ millions			
At 1 January 2001,						
as previously reported	1,066	28,359	48,703	(3,296)	178,516	253,348
Prior year adjustment (note 1A)	—	—	—	—	(88)	(88)
At 1 January 2001, as restated	1,066	28,359	48,703	(3,296)	178,428	253,260
Company and subsidiary companies' profit for the year	—	—	—	—	12,009	12,009
Share of reserves of associated companies	—	—	—	(336)	1,570	1,234
Share of reserves of jointly controlled entities	—	—	292	50	(1,599)	(1,257)
Net goodwill realised upon disposal of subsidiary and associated companies and jointly controlled entities	—	—	—	—	661	661
Revaluation deficit on other investments	—	—	(874)	—	—	(874)
Valuation released upon disposal of VoiceStream shares and other investments	—	—	(33,814)	—	—	(33,814)
Revaluation deficit on investment properties	—	—	(2,460)	—	—	(2,460)
Exchange translation differences	—	—	—	(3,307)	—	(3,307)
2000 final dividend paid	—	—	—	—	(5,201)	(5,201)
2001 interim dividend paid	—	—	—	—	(2,174)	(2,174)
At 31 December 2001	1,066	28,359	11,847	(6,889)	183,694	218,077
At 1 January 2000,						
as previously stated	969	28,456	64,784	(452)	156,651	250,408
Prior year adjustment (note 1A)	—	—	—	—	(39)	(39)
At 1 January 2000, as restated	969	28,456	64,784	(452)	156,612	250,466
Company and subsidiary companies' profit for the year	—	—	—	—	33,203	33,369
Share of reserves of associated companies	—	—	6	(478)	957	485
Share of reserves of jointly controlled entities	—	—	(86)	42	(91)	(135)
Bonus issue	97	(97)	—	—	—	—
Revaluation surplus on other investments	—	—	8,810	—	—	8,810
Valuation released upon disposal of Mannesmann	—	—	(24,286)	—	—	(24,286)
Valuation released upon disposal of other investments	—	—	(950)	—	—	(950)
Revaluation surplus on investment properties	—	—	425	—	—	425

	Share Capital	Share Premium	Revaluation Reserves	Exchange Reserve	Retained Profit	Total
			HK$ millions			
Elimination of goodwill on acquisition of subsidiary and associated companies and jointly controlled entities	—	—	—	—	(5,621)	(5,621)
Exchange translation differences	—	—	—	(2,408)	—	(2,408)
1999 final dividend paid	—	—	—	—	(4,458)	(4,458)
2000 interim dividend paid	—	—	—	—	(2,174)	(2,174)
At 31 December 2000	1,066	28,359	48,703	(3,296)	178,428	253,260

As at 31 December 2002, included in revaluation reserves are investment properties revaluation surplus of HK$12,234 million (31 December 2001, 31 December 2000 and 1 January 2000 − HK$14,134 million, HK$16,302 million and HK$15,963 million, respectively) and investment revaluation deficit of HK$7,160 million (31 December 2001, 31 December 2000 and 1 January 2000 − deficit of HK$2,287 million, surplus of HK$32,401 million and surplus of HK$48,821 million, respectively). Included in share premium is a capital redemption reserve of HK$404 million in all reporting years.

The retained profits of the Group include HK$12,872 million (2001 − HK$10,820 million; 2000 − HK$9,313 million) retained by associated companies of the Group and accumulated losses of HK$2,625 million (2001 − accumulated losses of HK$2,183 million; 2000 − accumulated losses of HK$342 million) retained by jointly controlled entities.

NOTES TO THE ACCOUNTS

1 Principal Accounting Policies

A *Basis of Preparation*

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("SSAP"). The accounts are prepared under the historical cost convention except that, as set out in Notes 1F and 1H below, listed equity securities and investment properties are stated at fair value and open market value respectively. In the current year, the Group has adopted the new or revised SSAPs effective for accounting periods commencing on 1 January 2002. The adoption of these new or revised SSAPs had no material effects on the Group's results.

The profit attributable to shareholders for the year ended 31 December 2000 and 2001 have been reduced by HK$49 million and HK$108 million respectively and retained profit at 1 January 2000, 2001 and 2002 have been reduced by HK$39 million, HK$88 million and HK$196 million respectively for the Group's share of a prior year adjustment of an associated company, Husky Energy Inc. This adjustment is in relation to the adoption of 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.

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

B *Basis of Consolidation*

The consolidated accounts of the Group include the accounts for the year ended 31 December 2002 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in Notes 1D and 1E below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2002 or up to the dates of disposal as the case may be.

C *Subsidiary Companies*

A company is a subsidiary company if more than 50% of the equity voting rights or issued share capital is held long term. In the consolidated accounts, subsidiary companies are accounted for as described in Note 1B above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

D *Associated Companies*

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2002. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

E *Joint Ventures*

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2002. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

A joint venture is classified as other joint venture if it is held as a long term investment and is not an associated company nor a jointly controlled entity. Other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for impairment in value. Cost includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income is recognised on the accrual basis throughout the joint venture period.

F *Liquid Funds and Other Investments*

Liquid funds and other listed investments are investments in cash and cash equivalents, listed held-to-maturity debt securities and listed equity securities. Listed held-to-maturity debt securities are carried at cost less provision for impairment in value. Listed equity securities ("equity securities") represent listed investments in companies which are not subsidiary companies nor associated companies nor joint ventures and are carried at fair value. Changes in the fair value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. Upon disposal of equity securities, the relevant revaluation surplus or deficit is dealt with in the profit and loss account. Interest income and dividends from these investments are recognised on the accrual basis.

G *Fixed Assets*

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3⅓ - 33⅓%
Container terminal equipment	5 - 20%
Telecommunication equipment	5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

H *Investment Properties*

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value based on existing use as determined by an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant revaluation reserve is recognised in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

I *Leased Assets*

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Leases payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on accrual basis.

J *Other Non-current Assets*

Licences for 3G Telecommunications spectrum ("3G licences") costs are capitalised at cost and amortised over the periods of the licences from the date of commencement of commercial operations.

Other unlisted investments are investments in unlisted held-to-maturity debt securities and unlisted equity securities and advances. Unlisted equity securities represent unlisted investments in companies which are not subsidiary companies nor associated companies nor joint ventures. Other unlisted investments are carried at cost less provision for impairment in value.

K *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of its acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions which occurred before 1 January 2001 was taken directly to reserves.

L *Asset impairment*

Intangible and tangible assets, except investment properties, are tested for impairment when an event that might affect asset values has occurred. A provision for impairment in value is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by discounting future earnings from operating the asset. Such provision is recognised in the profit and loss account except where the asset is carried at valuation and the provision does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

M *Borrowing Costs*

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development, 3G licences and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

N *Properties Under Development*

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

O *Stocks*

Stocks consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other stocks are stated at the lower of cost and net realisable value.

P *Deferred Taxation*

Deferred taxation is provided for when there is a reasonable probability that such taxation will become payable in the foreseeable future. Deferred taxation is calculated by the liability method at the applicable tax rate on timing differences arising from the recognition of income and expenditures in different fiscal years for accounting and for tax purposes.

Q *Pension Plans*

Pension plans are classified into defined benefit and defined contribution plans.

Commencing from 1 January 2002, pension accounting costs for defined benefit plans are assessed using the projected unit credit method in accordance with SSAP 34 "Employee Benefits". Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of the greater of the present value of plan obligations and the fair value of plan assets at that date are recognised over the average remaining service lives of employees.

In prior years, pension costs were assessed according to the Group's annual contributions which were designed to fully fund the plans as advised by independent actuaries. In accordance with transitional provisions under SSAP 34, transitional liabilities at 1 January 2002 are recognised as an expense on a straight line basis over a period of five years from 1 January 2002.

The Group's contributions to the defined contribution plans are charged to the profit and loss account in the year incurred.

Pension costs are charged against the profit and loss account within staff costs.

The pension plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

R *Foreign Exchange*

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in reserves.

S *Dividends*

Dividend is recorded as a liability on the date of declaration.

2 Turnover

Turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. An analysis of turnover of the Company and subsidiary companies is as follows:

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Sales of goods	38,071	29,132	26,578
Rendering of services	31,333	26,096	23,691
Interest	4,331	5,221	5,914
Dividends	1,500	1,011	839
	75,235	61,460	57,022

3 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$48 million (2001 – HK$126 million; 2000 – HK$19 million), Property and hotels is HK$467 million (2001 – HK$468 million; 2000 – HK$420 million), Retail and manufacturing is HK$79 million (2001 – HK$96 million; 2000 – HK$80 million) and Finance and investments is HK$240 million (2001 – HK$209 million; 2000 – HK$130 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								
	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total	Company and Subsidiaries	Associates and JCE	2000 Total
	HK$ millions								
Ports and related services . . .	18,156	2,416	20,572	12,641	2,864	15,505	11,501	2,725	14,226
Telecommunications -3G	—	—	—	—	—	—	—	—	—
Telecommunications -others	10,021	3,346	13,367	8,743	2,725	11,468	7,653	2,404	10,057
Property and hotels.	3,802	7,907	11,709	3,941	1,575	5,516	3,451	3,822	7,273
Retail and manufacturing.	36,600	2,871	39,471	27,208	2,335	29,543	25,014	2,234	27,248
Cheung Kong Infrastructure.	2,707	7,919	10,626	4,050	6,029	10,079	3,721	5,176	8,897
Husky Energy. .	—	11,198	11,198	—	11,801	11,801	—	11,442	11,442
Finance and investments .	3,949	237	4,186	4,877	249	5,126	5,682	—	5,682
	75,235	35,894	111,129	61,460	27,578	89,038	57,022	27,803	84,825

	Earnings before Interest and Other Finance Costs and Taxation								
	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total	Company and Subsidiaries	Associates and JCE	2000 Total
	HK$ millions								
Ports and related services . . .	6,001	794	6,795	5,006	785	5,791	4,445	896	5,341
Telecommunications -3G	—	—	—	—	—	—	—	—	—
Telecommunications -others	563	255	818	804	(85)	719	705	(229)	476
Property and hotels.	2,017	553	2,570	1,595	122	1,717	1,566	(30)	1,536
Retail and manufacturing.	758	273	1,031	473	64	537	630	35	665
Cheung Kong Infrastructure.	813	4,177	4,990	355	4,234	4,589	605	3,367	3,972
Husky Energy. .	—	2,084	2,084	85	1,814	1,899	220	1,827	2,047
Finance and investments .	6,079	80	6,159	6,264	193	6,457	5,187	274	5,461
	16,231	8,216	24,447	14,582	7,127	21,709	13,358	6,140	19,498

Earnings before interest and other finance costs and taxation for 3G Telecommunications operations is stated net of the release of provisions amounting to HK$1,871 million (2001 − HK$462 million; 2000 − HK$194 million) which compensated the pre-operating expenses of these businesses.

	Depreciation and Amortisation								
	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total	Company and Subsidiaries	Associates and JCE	2000 Total
	HK$ millions								
Ports and related services . . .	2,196	304	2,500	1,401	372	1,773	1,291	311	1,602
Telecommunications -3G	—	—	—	—	—	—	—	—	—
Telecommunications -others	1,733	399	2,132	994	506	1,500	738	394	1,132
Property and hotels	195	54	249	454	117	571	357	108	465
Retail and manufacturing.	1,031	124	1,155	657	109	766	555	102	657
Cheung Kong Infrastructure.	257	1,317	1,574	257	1,256	1,513	258	614	872
Husky Energy. .	—	1,891	1,891	—	1,685	1,685	—	1,146	1,146
Finance and investments .	66	1	67	64	1	65	23	2	25
	5,478	4,090	9,568	3,827	4,046	7,873	3,222	2,677	5,899

	Total Assets											
	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2002 Total Assets	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2001 Total Assets	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2000 Total Assets
	Segment Assets	Deferred Tax Assets			Segment Assets	Deferred Tax Assets			Segment Assets	Deferred Tax Assets		
	HK$ millions											
Ports and related services.	49,403	4	5,708	55,115	45,874	—	4,707	50,581	33,504	—	4,848	38,352
Telecommunications-3G(a).	129,579	5	—	129,584	85,097	—	169	85,266	76,719	—	—	76,719
Telecommunications-others	58,873	—	1,330	60,203	79,108	—	1,658	80,766	111,276	—	3,164	114,440
Property and hotels . . .	37,844	—	19,986	57,830	39,161	—	20,148	59,309	40,547	—	18,011	58,558
Retail and manufacturing .	26,557	306	1,026	27,889	10,983	—	745	11,728	9,322	—	787	10,109
Cheung Kong Infrastructure	14,880	—	40,805	55,685	11,478	—	37,806	49,284	8,717	—	40,560	49,277
Husky Energy	—	—	12,090	12,090	—	—	10,834	10,834	—	—	10,808	10,808
Finance and investments .	94,239	—	1,001	95,240	82,879	—	562	83,441	82,491	—	558	83,049
	411,375	315	81,946	493,636	354,580	—	76,629	431,209	362,576	—	78,736	441,312

(a) Included in this amount is an unrealized foreign currency exchange gain arising in 2002 of HK$11,209 million (2001 − loss of HK$3,560 million; 2000 − nil) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

Segment assets comprise fixed assets, cost of licences, other unlisted investments, goodwill, liquid funds and other listed investments, cash and cash equivalents and other current assets.

	Total Liabilities								
	Segment Liabilities	Current and Deferred Tax Liabilities	2002 Total Liabilities	Segment Liabilities	Current and Deferred Tax Liabilities	2001 Total Liabilities	Segment Liabilities	Current and Deferred Tax Liabilities	2000 Total Liabilities
					HK$ millions				
Ports and related services	24,048	302	24,350	22,886	265	23,151	19,278	207	19,485
Telecommunications -3G.	38,637	—	38,637	9,776	10	9,786	5,345	—	5,345
Telecommunications -others	63,809	10	63,819	53,675	2	53,677	32,093	3	32,096
Property and hotels .	2,119	148	2,267	4,276	141	4,417	4,721	425	5,146
Retail and manufacturing . .	22,486	254	22,740	15,160	213	15,373	15,169	156	15,325
Cheung Kong Infrastructure. . .	14,515	99	14,614	9,951	100	10,051	11,827	110	11,937
Husky Energy	—	—	—	—	—	—	—	—	—
Finance and investments . . .	59,488	9	59,497	59,764	13	59,777	62,724	5	62,729
	225,102	822	225,924	175,488	744	176,232	151,157	906	152,063

Segment liabilities comprise bank and other loans, notes and bonds, trade payables, other payables, accruals and pension obligations.

	Capital Expenditures		
	Company and Subsidiaries		
	2002	2001	2000
		HK$ millions	
Ports and related services	4,005	1,169	1,127
Telecommunications-3G	28,282	7,532	126
Telecommunications-others.	4,359	3,311	1,287
Property and hotels	1,190	735	1,826
Retail and manufacturing	1,237	1,292	1,158
Cheung Kong Infrastructure	111	108	150
Husky Energy	—	—	—
Finance and investments	14	146	650
	39,198	14,293	6,324

Geographical Segment

Turnover from External Customers

	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total	Company and Subsidiaries	Associates and JCE	2000 Total
					HK$ millions				
Hong Kong . . .	33,618	14,419	48,037	34,020	7,495	41,515	34,869	9,394	44,263
Mainland China.	7,098	5,518	12,616	5,656	4,703	10,359	4,364	3,269	7,633
Asia and Australia . . .	12,228	4,290	16,518	10,137	2,305	12,442	8,123	2,465	10,588
Europe.	15,253	354	15,607	5,620	1,051	6,671	6,060	1,033	7,093
Americas and others.	7,038	11,313	18,351	6,027	12,024	18,051	3,606	11,642	15,248
	75,235	35,894	111,129	61,460	27,578	89,038	57,022	27,803	84,825

Earnings before Interest and Other Finance Costs and Taxation

	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total	Company and Subsidiaries	Associates and JCE	2000 Total
					HK$ millions				
Hong Kong . . .	5,024	3,939	8,963	6,376	3,505	9,881	5,633	3,456	9,089
Mainland China.	1,947	1,431	3,378	958	1,037	1,995	921	985	1,906
Asia and Australia . . .	670	766	1,436	914	709	1,623	1,207	(177)	1,030
Europe.	2,654	(15)	2,639	990	48	1,038	2,594	48	2,642
Americas and others.	5,936	2,095	8,031	5,344	1,828	7,172	3,003	1,828	4,831
	16,231	8,216	24,447	14,582	7,127	21,709	13,358	6,140	19,498

Total Assets

	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2002 Total Assets	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2001 Total Assets	Company and Subsidiaries		Investments in Associated Companies and Interests in Joint Ventures	2000 Total Assets
	Segment Assets	Deferred Tax Assets			Segment Assets	Deferred Tax Assets			Segment Assets	Deferred Tax Assets		
							HK$ millions					
Hong Kong.	87,250	—	31,859	119,109	77,955	—	33,524	111,479	80,586	—	34,142	114,728
Mainland China. . .	13,273	—	23,539	36,812	14,196	—	23,064	37,260	12,923	—	25,086	38,009
Asia and Australia. .	26,610	4	12,634	39,248	16,673	—	7,684	24,357	9,798	—	7,320	17,118
Europe	192,018	311	754	193,083	162,499	—	929	163,428	144,861	—	11,857	156,718
Americas and others	92,224	—	13,160	105,384	83,257	—	11,428	94,685	114,408	—	331	114,739
	411,375	315	81,946	493,636	354,580	—	76,629	431,209	362,576	—	78,736	441,312

	Capital Expenditures		
	Company and Subsidiaries		
	2002	2001	2000
	HK$ millions		
Hong Kong	4,336	2,804	2,266
Mainland China	1,028	460	632
Asia and Australia	5,490	386	616
Europe	27,970	9,893	538
Americas and others	374	750	2,272
	39,198	14,293	6,324

4 Earnings before Interest and Other Finance Costs and Taxation ("EBIT")

	Group 2002	Group 2001	Group 2000
		HK$ millions	
EBIT is shown after crediting and charging the following items:			
Credits:			
Share of profits less losses of associated companies			
Listed	5,594	4,829	3,434
Unlisted	750	821	1,106
	6,344	5,650	4,540
Share of gross rental income from associated companies and jointly controlled entities	378	195	118
Gross rental income from investment properties of subsidiary companies	2,060	2,044	2,065
Less: intra group rental income	(286)	(286)	(300)
	1,774	1,758	1,765
Less: related outgoings	(31)	(43)	(48)
Net rental income of subsidiary companies	1,743	1,715	1,717
Dividend and interest income from managed funds and other investments			
Listed	3,496	2,386	1,989
Unlisted	372	533	666
Interest rate swap income (Note 22)	1,910	—	—
Charges:			
Depreciation of fixed assets	5,328	3,792	3,222
Amortisation of goodwill	150	35	—
Share of depreciation and amortisation of associated companies and jointly controlled entities	4,090	4,046	2,677
Operating leases			
Properties	3,650	2,421	2,109
Hire of plant and machinery	489	456	552
Hire of vessels	—	1,007	607
Auditors' remuneration	60	46	35

5 Interest and Other Finance Costs

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Company and subsidiary companies			
Bank loans and overdrafts	2,776	3,011	4,415
Other loans repayable within 5 years	251	116	125
Other loans not wholly repayable within 5 years	2	45	—
Notes and bonds repayable within 5 years	1,728	2,438	1,314
Notes and bonds not wholly repayable within 5 years	1,703	2,111	1,585
	6,460	7,721	7,439
Less: interest capitalised	(1,198)	(769)	(979)
	5,262	6,952	6,460
Share of associated companies	1,233	1,250	1,046
Share of jointly controlled entities	598	565	408
	7,093	8,767	7,914

6 Profit on Disposal of Investments Less Provisions

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Profit on sale of equity interests, ranging from 1% to 3%, to strategic partners in certain ports	1,129	—	—
Write back of a provision previously made for Hutchison Harbour Ring Limited	395	—	—
Profit on disposal of investments	—	30,000	59,742
Profit on disposal of investments pursuant to forward sales contracts	—	4,393	—
Provision for share price and exchange rate fluctuations on overseas investments	—	(29,769)	(34,000)
Provision for loss on property development projects	—	(1,500)	—
	1,524	3,124	25,742

The 2001 profit on disposal of investments comprises of a profit of HK$30,000 million arising from the merger of VoiceStream Wireless Corporation ("VoiceStream") and Deutsche Telekom AG ("Deutsche Telekom"). The profit on disposal of investments pursuant to forward sales contracts is the aggregate profit arising from the sale of approximately 695 million shares of Vodafone Group Plc ("Vodafone") at an average price of GBP 1.75 per share and approximately 89 million shares of Deutsche Telekom at an average price of EUR 21.26 per share.

The 2000 profit on disposal of investments comprises of a profit of HK$50,000 million on disposal of Mannesmann AG common shares in exchange for Vodafone ordinary shares, a profit of HK$1,600 million on the subsequent disposal of 925 million Vodafone shares, a profit of HK$2,200 million on sales of a 19% interest in Hong Kong mobile telecommunications operation, a profit of HK$4,222 million on the merger of Husky Oil Limited with Renaissance Energy Ltd. and a profit of HK$1,720 million on the sale of a 50% interest in fixed line telecommunications business.

7 Directors' Emoluments

	Group 2002	Group 2001	Group 2000
		HK$ millions	
The emoluments of the directors of the Company are as follows:			
Fees	1	1	1
Basic salaries and allowances	39	39	39
Provident fund contributions	5	5	5
Bonuses	214	169	208
	259	214	253

The emoluments of the six independent non-executive directors of the Company are HK$0.45 million (2001 – six directors, HK$0.45 million; 2000 – six directors, HK$0.45 million).

No management remuneration was paid to Mr Li Ka-shing during each of the three years other than a director's fee of HK$50,000 which he paid to Cheung Kong (Holdings) Limited.

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

Emoluments of all directors of the Company are analysed as below:

HK$	Group 2002	Group 2001	Group 2000
		Number of Directors	
Nil - 1,000,000	8	8	8
1,000,001 - 1,500,000	—	—	1
6,000,001 - 6,500,000	—	—	1
7,500,001 - 8,000,000	1	2	—
9,000,001 - 9,500,000	—	—	2
11,000,001 - 11,500,000	1	—	—
11,500,001 - 12,000,000	1	1	—
13,000,001 - 13,500,000	—	—	1
25,500,001 - 26,000,000	—	1	—
27,000,001 - 27,500,000	—	1	—
28,000,001 - 28,500,000	—	1	—
29,000,001 - 29,500,000	—	—	1
31,000,001 - 31,500,000	—	—	1
32,500,001 - 33,000,000	1	—	1
34,000,001 - 34,500,000	1	—	—
35,000,001 - 35,500,000	1	—	—
105,000,001 - 105,500,000	—	1	—
120,000,001 - 120,500,000	—	—	1
125,000,001 - 125,500,000	1	—	—

The five individuals whose emoluments were the highest for the year were four (2001 – four; 2000 – four) directors of the Company and one (2001 – one; 2000 – one) director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary and allowance – HK$6.6 million (2001 – HK$6 million; 2000 – HK$5.6 million); provident fund contribution – HK$1 million (2001 – HK$0.9 million; 2000 – HK$0.9 million); and bonus – HK$25 million (2001 – HK$12 million; 2000 – HK$12 million).

8 Taxation

	Current Taxation	Deferred Taxation	Group 2002 Total	Current Taxation	Deferred Taxation	Group 2001 Total	Current Taxation	Deferred Taxation	Group 2000 Total
					HK$ millions				
Hong Kong									
Subsidiary companies . . .	492	17	509	537	(6)	531	585	(44)	541
Associated companies . . .	393	2	395	314	—	314	256	—	256
Jointly controlled entities .	113	5	118	56	(2)	54	76	(5)	71
Overseas									
Subsidiary companies . . .	752	58	810	543	(14)	529	280	(2)	278
Associated companies . . .	168	629	797	63	710	773	34	727	761
Jointly controlled entities .	97	(2)	95	64	11	75	51	—	51
	2,015	709	2,724	1,577	699	2,276	1,282	676	1,958

Hong Kong profits tax has been provided for at the rate of 16% (2001 – 16%; 2000 – 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.

	Group 2002	Group 2001	Group 2000
		HK$ millions	
The potential tax liabilities (assets) which have not been provided for in respect of the current year are as follows:			
Arising from accelerated depreciation allowances	1,794	(121)	(230)
Arising from tax losses	(1,652)	(39)	276

No provision for taxation has been made for taxes which would arise on the remittance of retained profits of certain overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

9 Profit Attributable to Shareholders

The net profit of the Company is HK$7,793 million (2001 – HK$7,999 million; 2000 – HK$7,383 million) and is included in determining the profit attributable to shareholders in the consolidated profit and loss account.

10 Dividends

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Interim, paid of HK$0.51 per share (2001 – HK$0.51; 2000 – HK$0.51)	2,174	2,174	2,174
Final, proposed of HK$1.22 per share (2001 – HK$1.22; 2000 – HK$1.22)	5,201	5,201	5,201
	7,375	7,375	7,375

11 Earnings Per share

The calculation of earnings per share is based on profit attributable to shareholders of HK$14,288 million (2001 – HK$11,980 million, as restated; 2000 – HK$34,069 million, as restated) and on 4,263,370,780 shares in issue during 2002 (2001 – 4,263,370,780 shares; 2000 – 4,263,370,780 shares).

12 Fixed Assets – Group

	Investment Properties	Other Properties	Other Assets	2002 Total	2001 Total	2000 Total
			HK$ millions			
Cost or valuation						
At 1 January	28,458	48,290	50,579	127,327	103,300	99,366
Exchange translation differences	—	284	2,379	2,663	(591)	(858)
Additions	59	3,300	35,839	39,198	14,293	6,324
Disposals	(20)	(228)	(2,091)	(2,339)	(706)	(845)
Relating to subsidiaries acquired	—	1,085	13,304	14,389	13,736	1,549
Relating to subsidiaries disposed of	—	(856)	(549)	(1,405)	(183)	(2,805)
Revaluation	(1,866)	—	—	(1,866)	(2,503)	416
Transfer from (to) current assets	—	(152)	(166)	(318)	(19)	153
Transfer between categories	1,894	(607)	(2,500)	(1,213)	—	—
At 31 December	28,525	51,116	96,795	176,436	127,327	103,300
Accumulated depreciation						
At 1 January	—	5,792	18,779	24,571	17,862	15,679
Exchange translation differences	—	257	773	1,030	(156)	(270)
Charge for the year	—	1,191	4,137	5,328	3,792	3,222
Impairment recognised	—	30	82	112	—	—
Disposals	—	(107)	(1,946)	(2,053)	(487)	(693)
Relating to subsidiaries acquired	—	—	4,819	4,819	3,643	129
Relating to subsidiaries disposed of	—	(205)	(151)	(356)	(93)	(205)
Transfer from (to) current assets	—	9	(41)	(32)	10	—
Transfer between categories	—	129	(1,342)	(1,213)	—	—
At 31 December	—	7,096	25,110	32,206	24,571	17,862
Net book value at 31 December	28,525	44,020	71,685	144,230	102,756	85,438
Cost or valuation at 31 December						
At cost	—	51,116	96,795	147,911	98,869	72,873
At valuation	28,525	—	—	28,525	28,458	30,427
	28,525	51,116	96,795	176,436	127,327	103,300

	2002	2001	2000
		HK$ millions	
Net book value of investment properties and other properties comprises:			
Hong Kong			
Long leasehold (not less than 50 years)	14,565	15,081	16,463
Medium leasehold (less than 50 years but not less than 10 years)	33,789	33,564	34,523
Short leasehold (less than 10 years)	26	30	34
Overseas			
Freehold	7,629	5,067	4,255
Long leasehold	1,781	3,162	2,410
Medium leasehold	14,139	13,705	10,200
Short leasehold	616	347	31
	72,545	70,956	67,916

Investment properties have been revalued as at 31 December 2002 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

Other properties include projects under development in the amount of HK$3,503 million at 31 December 2002 (2001 – HK$3,073 million; 2000 – HK$2,567 million).

Other assets include telecommunications equipment held under finance leases at a cost of HK$3,222 million (2001 – HK$3,222 million; 2000 – HK$3,222 million) and accumulated depreciation of HK$1,278 million at 31 December 2002 (2001 – HK$1,060 million; 2000 – HK$848 million). Depreciation for the year amounted to HK$218 million (2001 – HK$212 million; 2000 – HK$215 million).

Cost and net book value of fixed assets include HK$38,163 million (2001 – HK$7,747 million; 2000 – HK$127 million) and HK$37,598 million (2001 – HK$7,636 million; 2000 – HK$123 million) respectively relating to 3G telecommunications operations.

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable leases is as follows:

	2002	2001	2000
		HK$ millions	
Within 1 year	1,282	1,584	1,488
After 1 year, but within 5 years	2,211	3,212	3,724
After 5 years	722	913	1,197

13 Other Non-current Assets

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Cost of licences for 3G telecommunications spectrum			
At 1 January	78,152	80,039	—
Exchange translation differences	10,187	(3,571)	—
Additions	180	1,684	80,039
At 31 December	88,519	78,152	80,039
Other unlisted investments			
Held-to-maturity convertible debt securities	3,842	4,538	5,442
Equity securities and advances	2,673	3,313	2,203
	6,515	7,851	7,645
Deferred tax assets (Note 24)	315	—	—
	95,349	86,003	87,684

14 Goodwill

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Cost			
At 1 January	440	—	—
Additional goodwill recognised	7,534	440	—
Exchange translation differences	405	—	—
Relating to subsidiaries disposed of	(75)	—	—
At 31 December	8,304	440	—
Accumulated amortisation			
At 1 January	35	—	—
Charge for the year	150	35	—
Exchange translation differences	12	—	—
Relating to subsidiaries acquired	230	—	—
Relating to subsidiaries disposed of	(30)	—	—
At 31 December	397	35	—
Net book value at 31 December	7,907	405	—

15 Subsidiary Companies

	Company 2002	Company 2001	Company 2000
		HK$ millions	
Unlisted shares	728	728	728
Amounts due from subsidiary companies	50,956	48,032	60,016
	51,684	48,760	60,744

Particulars regarding the principal subsidiary companies are set forth on pages F-47 to F-52.

16 Associated Companies

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Unlisted shares	1,524	1,651	1,665
Listed shares, Hong Kong	9,512	9,512	9,422
Listed shares, overseas	10,864	10,342	10,342
Share of undistributed post acquisition reserves	13,693	10,979	10,016
Investments in associated companies	35,593	32,484	31,445
Amounts due from associated companies	12,722	7,476	9,313
Amounts due to associated companies	(1,584)	(1,628)	(1,555)
	46,731	38,332	39,203

The market value of the listed investments at 31 December 2002 was HK$40,315 million (2001 – HK$42,851 million; 2000 – HK$40,026 million).

Particulars regarding the principal associated companies are set forth on pages F-47 to F-52.

17 Interests in Joint Ventures

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Jointly controlled entities			
Unlisted shares	17,137	19,196	18,858
Share of undistributed post acquisition reserves	(5,764)	(6,004)	(4,479)
Investments in jointly controlled entities	11,373	13,192	14,379
Amounts due from jointly controlled entities	19,146	18,565	16,505
Amounts due to jointly controlled entities	(600)	(738)	(548)
	29,919	31,019	30,336
Other joint ventures			
Cost of investments	4,645	6,504	8,350
Amounts due from other joint ventures	651	774	847
	5,296	7,278	9,197
	35,215	38,297	39,533

Particulars regarding the principal jointly controlled entities are set forth on pages F-47 to F-52.

18 Liquid Funds and Other Listed Investments

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Managed funds, overseas			
Listed held-to-maturity debt securities	33,471	22,675	14,868
Cash and cash equivalents	657	1,119	1,825
Other listed equity securities	—	—	11
	34,128	23,794	16,704
Listed held-to-maturity debt securities	17,232	7,346	2,711
Listed equity securities, Hong Kong	3,427	3,473	4,813
Listed equity securities, overseas	32,307	63,176	99,044
Long term deposits	321	173	4,174
	87,415	97,962	127,446
Less: current portion	(11,818)	(26,758)	—
	75,597	71,204	127,446

The market value of listed securities at 31 December 2002 was HK$88,603 million (2001 – HK$108,736 million; 2000 – HK$130,475 million).

Included in the listed held-to-maturity debt securities is investment in notes totalling HK$5,218 million (2001 – HK$4,274 million; 2000 – nil) which are subject to certain callable asset swap arrangements with financial institutions. Pursuant to these arrangements, fixed rate notes were purchased and simultaneously interest rate swap agreements were entered into whereby the notes became floating interest rate bearing notes. The financial institution has a call option to purchase the notes any time before maturity in 2004.

19 Current Assets

	Company 2002	Company 2001	Company 2000	Group 2002	Group 2001	Group 2000
			HK$ millions			
Stocks	—	—	—	8,742	4,821	4,132
Trade receivables	—	—	—	4,726	3,837	3,569
Other receivables and prepayments	1	—	—	20,469	11,422	6,932
Dividends and other receivables from subsidiary companies	5,500	8,000	7,400	—	—	—
Current portion of liquid funds and other listed investments	—	—	—	11,818	26,758	—
Other current assets	5,501	8,000	7,400	45,755	46,838	14,633
Cash and cash equivalents	—	—	—	42,852	47,374	47,375
	5,501	8,000	7,400	88,607	94,212	62,008

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.

	Group 2002	Group 2001	Group 2000
		HK$ millions	
At 31 December, the ageing analysis of the trade receivables is as follows:			
Current	3,277	2,410	2,318
31 – 60 days	844	871	614
61 – 90 days	253	271	181
Over 90 days	352	285	456
	4,726	3,837	3,569

20 Current Liabilities

	Company 2002	Company 2001	Company 2000	Group 2002	Group 2001	Group 2000
			HK$ millions			
Bank loans (note a)	2	—	302	13,334	15,238	14,991
Other loans	—	—	—	94	161	48
Exchangeable notes (note b)						
US$3,000 million exchangeable notes, 2.875% due 2003	—	—	—	23,400	—	—
Other notes and bonds						
HK$ notes, 7% due 2003	—	—	—	1,000	—	—
HK$ notes, 7.88% due 2002	—	—	—	—	1,500	—
HK$ notes, 7.82% due 2002	—	—	—	—	500	—
US$ exchangeable bonds, 7% due 2001	—	—	—	—	—	2,145
Trade payables	—	—	—	8,610	6,180	4,717
Other payables and accruals	69	64	70	36,400	22,760	22,252
Taxation	—	—	—	591	544	806
	71	64	372	83,429	46,883	44,959

(a) The bank loans include project financing for 3G operations totalling HK$1,003 million (2001 and 2000 – nil) which is guaranteed by the Group. In March 2003, the Group issued AUD800 million principal amount of floating interest rate notes due in 2008, the proceeds of these notes will be used to refinance bank loans due within 2003.

(b) The US$3,000 million exchangeable notes ("Exchangeable Notes") are exchangeable into ordinary shares of Vodafone any time before maturity at the option of the holders on the basis of US$1,000 principal amount for 196.61 shares at US$5.086 per share. In February 2003, the Group issued US$1,500 million principal amount of 6.5% fixed interest rate notes due in 2013, the proceeds of which will be used to repay a portion of the Exchangeable Notes.

(c) The bank and other loans are secured to the extent of HK$3,159 million (2001 – HK$1,749 million; 2000 – HK$3,816 million).

	Group 2002	Group 2001	Group 2000
		HK$ millions	
At 31 December, the ageing analysis of the trade payables is as follows:			
Current	5,354	3,642	2,748
31 – 60 days	1,280	1,183	914
61 – 90 days	516	644	620
Over 90 days	1,460	711	435
	8,610	6,180	4,717

21 Net Current Assets

The Group arranged two long term borrowings to refinance debts that are shown as current liabilities at 31 December 2002. After adjusting for these two refinancings, the net current assets amount would be increased by HK$15,236 million.

22 Long Term Liabilities

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Bank loans			
Repayable within 5 years	75,048	41,324	66,352
Not wholly repayable within 5 years	12,159	17,769	3,207
Less: current portion	(13,334)	(15,238)	(14,991)
	73,873	43,855	54,568
Other loans			
Repayable within 5 years	5,521	2,617	106
Not wholly repayable within 5 years	856	80	—
Less: current portion	(94)	(161)	(48)
	6,283	2,536	58
Exchangeable notes			
US$3,000 million exchangeable notes, 2.875% due 2003	—	23,400	23,393
US$2,657 million exchangeable notes, 2% due 2004	20,723	20,723	—
	20,723	44,123	23,393
Other notes and bonds			
HK$ notes, 7.88% due 2002	—	—	1,500
HK$ notes, 7.82% due 2002	—	—	500
HK$ notes, 7% due 2003	—	1,000	1,000
HK$ notes, HIBOR+0.8% due 2004	1,500	1,500	1,500
US$199 million notes, LIBOR + 0.85% due 2004	—	—	1,537
US$750 million notes – Series A, 6.95% due 2007	5,807	5,807	5,807
US$500 million notes – Series B, 7.45% due 2017	3,871	3,871	3,871
US$500 million notes – Series C, 7.5% due 2027	3,871	3,871	3,871
US$250 million notes – Series D, 6.988% due 2037	1,935	1,935	1,935
US$1,500 million notes, 7% due 2011	11,700	11,700	—
EUR500 million bonds, 5.5% due 2006	4,085	3,450	3,675
GBP325 million bonds, 6.75% due 2015	4,069	3,679	3,789
AUD425 million notes, 6.5% due 2006	1,878	1,691	—
JPY30,000 million notes, 3.5% due 2032	1,974	—	—
	40,690	38,504	28,985
	141,569	129,018	107,004

The long term liabilities include financing for 3G operations totalling HK$25,002 million (2001 – HK$4,904 million; 2000 – nil) of which HK$4,385 million (2001 and 2000 – nil) were guaranteed by the Group.

The bank and other loans are secured to the extent of HK$30,987 million (2001 – HK$11,937 million; 2000 – HK$2,882 million) of which HK$20,617 million (2001 – HK$4,904 million; 2000 – nil) and HK$4,074 million (2001 and 2000 – nil) are non guaranteed and guaranteed loans respectively for 3G operations included in the financing amounts above.

The US$3,000 million exchangeable notes are exchangeable into ordinary shares of Vodafone any time before maturity at the option of the holders on the basis of US$1,000 principal amount for 196.61 shares at US$5.086 per share.

The US$2,657 million exchangeable notes are exchangeable into ordinary shares of Vodafone any time before maturity at the option of the holders on the basis of US$1,000 principal amount for 214.51 shares at US$4.6618 per share.

The US$250 million notes – Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

	Group 2002	Group 2001	Group 2000
		HK$ millions	
The loans are repayable as follows:			
Bank loans			
After 1 year, but within 2 years	7,511	2,134	22,911
After 2 years, but within 5 years	54,210	37,114	29,928
After 5 years	12,152	4,607	1,729
Other loans			
After 1 year, but within 2 years	89	65	16
After 2 years, but within 5 years	5,348	2,398	42
After 5 years	846	73	—
Exchangeable notes			
After 1 year, but within 2 years	20,723	23,400	—
After 2 years, but within 5 years	—	20,723	23,393
Other notes and bonds			
After 1 year, but within 2 years	1,500	1,000	2,000
After 2 years, but within 5 years	11,770	6,641	4,037
After 5 years	27,420	30,863	22,948
	141,569	129,018	107,004

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings. Certain of such agreements were terminated during the year which resulted in a profit of HK$1,910 million (2001 and 2000 – nil). At 31 December 2002, outstanding interest rate swap agreements with financial institutions amounted to HK$30,363 million (2001 – HK$31,550 million; 2000 – nil). In addition, HK$6,539 million (2001 – HK$4,320 million; 2000 – nil) principal amount of an infrastructure related floating interest rate borrowing was swapped to a fixed interest rate borrowing.

23 Pledge of Assets

At 31 December 2002, the Group's shares of Hutchison 3G UK Limited and H3G S.p.A. and their respective assets were pledged as security for 3G project financing facilities. The assets of these two companies totalled HK$119,812 million (2001 – HK$56,792 million; 2000 – nil) at 31 December 2002. In addition, HK$22,238 million (2001 – HK$14,988 million; 2000 – HK$7,272 million) of assets were pledged as security for bank and other loans of the Group.

24 Deferred Taxation

	Group 2002	Group 2001	Group 2000
		HK$ millions	
The movements in deferred taxation are as follows:			
At 1 January	200	100	139
Exchange translation differences	(69)	—	—
Relating to subsidiaries acquired	(345)	120	7
Relating to subsidiaries disposed of	55	—	—
Net charge (credit) for the year	75	(20)	(46)
At 31 December	(84)	200	100
Analysis of net deferred tax liabilities (assets):			
Deferred tax assets (Note 13)	(315)	—	—
Deferred tax liabilities	231	200	100
	(84)	200	100
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:			
Arising from accelerated depreciation allowances	2,105	311	432
Arising from tax losses	(2,679)	(1,027)	(988)

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the recognition of the surpluses would not be subject to taxation. Therefore the above potential liability does not include timing differences related to the revaluation surpluses.

25 Pension Obligations

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Defined benefit plan obligations	695	131	–

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined Benefit Plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non contributory guaranteed return defined contribution plans.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2001 and 31 December 2002 using the projected unit credit method to account for the Group's pension accounting costs in accordance with SSAP 34 "Employee Benefits".

	Group 2002
The principal actuarial assumptions used for accounting purposes are as follows:	
Discount rate applied to defined benefit plan obligations	4.75% – 6.00%
Expected return on plan assets	4.00% – 8.00%
Future salary increases	3.00% – 5.00%
Interest credited on plan accounts	5.00% – 6.00%

	Group 2002
	HK$ millions
The amount recognised in the consolidated profit and loss account is as follows:	
Current service cost	360
Amortisation of unrecognised liabilities on initial adoption of SSAP 34	92
Interest cost	311
Expected return on plan assets	(333)
Net actuarial loss recognised	10
Total expense	440
Less: expense capitalised	(11)
Total, included in staff costs	429

Total expense included in staff costs in 2001 amounted to HK$259 million (2000 – HK$292 million).

	Group 2002
	HK$ millions
Defined benefit plan obligations are determined as follows:	
Present value of defined benefit obligations	6,878
Fair value of plan assets	4,814
Deficit	2,064
Unrecognised actuarial loss	(806)
Unrecognised liabilities on initial adoption of SSAP 34	(563)
Net defined benefit plan obligations	695
The movements in net defined benefit plan obligations are as follows:	
At 1 January	131
Exchange translation differences	49
Relating to subsidiaries acquired	396
Total expense	440
Contributions paid	(321)
At 31 December	695
Analysis of net defined benefit plan (assets) obligations:	
Plan assets	(35)
Plan obligations	730
	695

Fair value of plan assets of HK$4,814 million includes investments in the Company's shares with a fair value of HK$37 million. The actual loss on plan assets in 2002 was HK$477 million.

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2002. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2001 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 8.5% per annum and salary increases of 6.5%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 30 June 2004 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2002 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$30 million (2001 – HK$31 million; 2000 – HK$34 million) were used to reduce the current year's level of contributions and HK$7 million was available at 31 December 2002 (2001 – HK$3 million; 2000 – HK$8 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2001, the ratio of assets to liabilities for the Felixstowe Scheme was 92%. The sponsoring employer's contributions have been increased from 2001 to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.0% per annum in respect of past service liabilities and pensionable salary increases of 4% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt Partners. The funding of the plan will be reviewed within three years of the last formal valuation.

The Group's defined benefit pension plan for its retail operations in the United Kingdom for the employees of an acquired subsidiary company was assumed on acquisition of that subsidiary company and is not open to new entrants. The first formal valuation for funding purposes is not due until 31 March 2003.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

(b) Defined Contribution Plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$156 million (2001 – HK$103 million; 2000 – HK$21 million). Forfeited contributions totalling HK$4 million (2001 – HK$2 million; 2000 – HK$3 million) were used to reduce the current year's level of contributions and HK$1 million was available at 31 December 2002 (2001 – HK$1 million; 2000 – nil) to reduce future years' contributions.

26 Minority Interests

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Equity interests	33,777	30,901	28,351
Loans – interest free	6,660	5,424	7,300
Loans – interest bearing	1,099	575	338
	41,536	36,900	35,989

The loans are unsecured and have no fixed terms of repayment.

27 Share Capital

	Number of shares 2002	Number of shares 2001	Number of shares 2000	Company 2002	Company 2001	Company 2000
					HK$ millions	
Authorised:						
Ordinary shares of HK$0.25 each	5,500,000,000	5,500,000,000	5,500,000,000	1,375	1,375	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	402,717,856	402,717,856	402,717,856	403	403	403
				1,778	1,778	1,778
Issued and fully paid:						
Ordinary shares						
At 1 January	4,263,370,780	4,263,370,780	3,875,791,619	1,066	1,066	969
Bonus issue 1 for 10	—	—	387,579,161	—	—	97
At 31 December	4,263,370,780	4,263,370,780	4,263,370,780	1,066	1,066	1,066

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

28 Reserves of the Company, Unconsolidated

	Share Premium	Retained Profit	Total
		HK$ millions	
At 1 January 2002	28,359	27,271	55,630
Profit for the year	—	7,793	7,793
2001 final dividend paid	—	(5,201)	(5,201)
2002 interim dividend paid	—	(2,174)	(2,174)
At 31 December 2002	28,359	27,689	56,048
At 1 January 2001	28,359	26,647	55,006
Profit for the year	—	7,999	7,999
2000 final dividend paid	—	(5,201)	(5,201)
2001 interim dividend paid	—	(2,174)	(2,174)
At 31 December 2001	28,359	27,271	55,630
At 1 January 2000	28,359	25,896	54,255
Profit for the year	—	7,383	7,383
1999 final dividend paid	—	(4,458)	(4,458)
2000 interim dividend paid	—	(2,174)	(2,174)
At 31 December 2000	28,359	26,647	55,006

Reserve of the Company available for distribution to shareholders amount to HK$27,689 million (2001 – HK$27,271 million; 2000 – HK$26,647 million).

29 Notes to Consolidated Cash Flow Statement

	Group 2002	Group 2001	Group 2000
		HK$ millions	
(a) Reconciliation of profit before taxation to Earnings before interest, taxation, depreciation and amortisation ("EBITDA")			
Profit before taxation	18,878	16,066	37,326
Interest and other finance costs, Company and subsidiary companies	5,262	6,952	6,460
Interest and other finance costs, share of associated companies and jointly controlled entities	1,831	1,815	1,454
Depreciation and amortisation, Company and subsidiary companies	5,478	3,827	3,222
Depreciation and amortisation, share of associated companies and jointly controlled entities	4,090	4,046	2,677
Other non-cash items included in profit on disposal of investments less provisions	(395)	1,500	(143)
Release of provisions	(1,871)	(1,179)	(2,389)
EBITDA	33,273	33,027	48,607
(b) Changes in working capital			
Increase in stocks	(678)	(544)	(318)
Increase in debtors and prepayments	(6,419)	(2,469)	(1,292)
Increase/(decrease) in creditors	11,186	1,365	(7,500)
Other non-cash items	(122)	(93)	(1,097)
	3,967	(1,741)	(10,207)
(c) Purchase of subsidiary companies			
Net assets acquired (excluding cash and cash equivalents):			
Fixed assets	9,570	10,093	1,420
Associated companies	—	178	—
Interests in joint ventures	142	226	—
Other unlisted investments	—	74	—
Stocks	3,832	503	189
Debtors	2,246	1,588	284
Bank and other loans	(3,395)	(3,715)	(744)
Creditors and taxation	(5,386)	(2,466)	(742)
Deferred taxation	345	(120)	(7)
Goodwill	6,262	440	2,492
Minority interests	241	(1,371)	(1,002)
Loans from minority interests	(22)	(294)	—
	13,835	5,136	1,890
Less: investments amount just held prior to purchase	(3,419)	(1,309)	(424)
	10,416	3,827	1,466

	Group 2002	Group 2001	Group 2000
		HK$ millions	
Discharged by:			
Cash payment	7,624	5,684	1,622
Less: cash and cash equivalents purchased	1,264	(1,857)	(156)
Total net cash consideration	8,888	3,827	1,466
Deferred consideration	1,528	—	—
Total consideration	10,416	3,827	1,466

(d) Disposal of subsidiary companies

	Group 2002	Group 2001	Group 2000
Net assets disposed of (excluding cash and cash equivalents):			
Fixed assets	1,049	90	2,600
Associated companies	13	—	—
Interests in joint ventures	1,596	195	—
Stocks	13	—	24
Debtors	(378)	122	626
Bank and other loans	(47)	—	(15)
Creditors and taxation	(1,348)	(164)	(470)
Goodwill	127	617	266
Minority interests	(457)	1,000	19,141
	568	1,860	22,172
Provision	—	—	5,978
Profit on disposal	726	593	3,920
	1,294	2,453	32,070
Less: investments amount retained subsequent to disposal	(280)	(1,066)	(6,046)
	1,014	1,387	26,024
Satisfied by:			
Cash consideration	1,130	1,458	26,109
Less: cash and cash equivalents sold	(116)	(71)	(85)
Total net cash consideration	1,014	1,387	26,024

	Bank and Other Loans	Minority Interests	Group Total
		HK$ millions	
(e) Analysis of changes in financing during the year			
At 1 January 2002	146,417	36,900	183,317
New loans	51,641	1,489	53,130
Repayment of loans	(25,220)	(307)	(25,527)
Issue of shares by subsidiary companies to minorities	—	1,413	1,413
Net cash flows from financing activities	26,421	2,595	29,016
Minority interests in profit	—	1,866	1,866
Dividends payable to minority shareholders	—	(1,398)	(1,398)
Minority interests in exchange reserve	—	1,477	1,477
Minority interests in properties revaluation reserve	—	2	2
Exchange translation differences	3,211	770	3,981
Relating to subsidiary companies acquired	3,395	(219)	3,176
Relating to subsidiary companies disposed of	(47)	(457)	(504)
At 31 December 2002	179,397	41,536	220,933
At 1 January 2001	124,188	35,989	160,177
New loans	68,781	422	69,203
Repayment of loans	(49,116)	(371)	(49,487)
Issue of shares by subsidiary companies to minorities	—	27	27
Net cash flows from financing activities	19,665	78	19,743
Minority interests in profit	—	1,810	1,810
Dividends payable to minority shareholders	—	(2,207)	(2,207)
Minority interests in exchange reserve	—	(1,327)	(1,327)
Minority interests in properties revaluation reserve	—	(12)	(12)
Exchange translation differences	(1,151)	(96)	(1,247)
Relating to subsidiary companies acquired	3,715	1,665	5,380
Relating to subsidiary companies disposed of	—	1,000	1,000
At 31 December 2001	146,417	36,900	183,317
At 1 January 2000	89,815	10,099	99,914
New loans	67,434	4,601	72,035
Repayment of loans	(32,939)	(151)	(33,090)
Redemption of shares	—	(168)	(168)
Issue of shares by subsidiary companies to minorities	—	1,681	1,681
Net cash flows from financing activities	34,495	5,963	40,458
Minority interests in profit	—	1,299	1,299
Dividends payable to minority shareholders	—	(1,108)	(1,108)
Minority interests in revaluation reserve	—	(9)	(9)
Exchange translation differences	(851)	(398)	(1,249)
Purchase of minority interests	—	744	744
Relating to subsidiary companies acquired	744	258	1,002
Relating to subsidiary companies disposed of	(15)	19,141	19,126
At 31 December 2000	124,188	35,989	160,177

	Group 2002	Group 2001	Group 2000
		HK$ millions	
(f) Analysis of the balances of cash and cash equivalents			
Bank balances and cash equivalents	43,002	47,530	47,530
Bank overdrafts	(150)	(156)	(155)
	42,852	47,374	47,375

(g) Major non-cash transactions

During 2001, the investment in VoiceStream was exchanged for approximately 206.6 million Deutsche Telekom shares and a cash consideration of HK$6,908 million, giving rise to a profit of HK$30,000 million. In addition, a provision of HK$29,769 million was made in 2001 for share price and exchange rate fluctuations of overseas investments (Note 6).

30 Contingent Liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	Company	Subsidiaries	2002 Total	Company	Subsidiaries	2001 Total	Company	Subsidiaries	2000 Total
					HK$ millions				
To associated companies									
Property businesses	—	—	—	2,212	—	2,212	2,416	—	2,416
Other businesses	—	335	335	—	—	—	—	87	87
	—	335	335	2,212	—	2,212	2,416	87	2,503
To jointly controlled entities									
Property businesses	1,671	3,311	4,982	867	1,407	2,274	2,398	785	3,183
Telecommunication businesses	4,133	946	5,079	1,568	3,786	5,354	83	1,485	1,568
Other businesses	500	800	1,300	500	886	1,386	1,000	1,594	2,594
	6,304	5,057	11,361	2,935	6,079	9,014	3,481	3,864	7,345

At 31 December 2002 the Group had contingent liabilities in respect of guarantees related to contracts for the procurement of 3G handsets of HK$14,116 million (2001 − HK$8,722 million; 2000 − nil), procurement of 3G infrastructure of HK$2,036 million (2001 − HK$2,539 million; 2000 − nil), and other guarantees of HK$2,103 million (2001 − HK$1,158 million; 2000 − HK$2,662 million) mainly for performance on payments pursuant to contractual obligations.

Pursuant to the disclosure requirements of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have already been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated debt included in Notes 20 and 22 totalling HK$179,397 million (2001 − HK$146,417 million; 2000 − HK$124,188 million), the Company has guaranteed a total of HK$131,843 million (2001 − HK$115,502 million; 2000 − HK$96,378 million) which has been borrowed in the name of subsidiary companies.

31 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2002 are as follows:

Capital commitments

1. Contracted for:

   i. Container terminals, Hong Kong – HK$474 million (2001 – HK$342 million; 2000 – HK$1,155 million).

   ii. Container terminals, Mainland China – HK$4,030 million (2001 – HK$19 million; 2000 – HK$115 million).

   iii. Container terminals, others – HK$953 million (2001 – HK$1,102 million; 2000 – HK$325 million).

   iv. Telecommunications, 3G – HK$20,851 million (2001 – HK$4,343 million; 2000 – HK$72 million).

   v. Telecommunications, others – HK$1,659 million (2001 – HK$317 million; 2000 – HK$1,325 million).

   vi. Investment properties in Hong Kong – HK$212 million (2001 – HK$82 million; 2000 – HK$129 million).

   vii. Investments in properties joint venture projects in Mainland China – nil (2001 – HK$111 million; 2000 – HK$81 million).

   viii. Other fixed assets, HK$1,960 million (2001 – HK$3,643 million; 2000 – HK$935 million).

   ix. Other investments, HK$2,905 million (2001 – HK$88 million; 2000 – HK$357 million).

2. Authorised but not contracted for:

   The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

   i. Container terminals, Hong Kong – HK$1,181 million (2001 – HK$560 million; 2000 – HK$1,439 million).

   ii. Container terminals, Mainland China – HK$3,099 million (2001 – HK$261 million; 2000 – HK$472 million).

   iii. Container terminals, others – HK$2,971 million (2001 – HK$2,875 million; 2000 – HK$1,683 million).

   iv. Telecommunications, 3G – HK$23,761 million (2001 – HK$41,071 million; 2000 – HK$36,888 million).

   v. Telecommunications, others – HK$3,056 million (2001 – HK$753 million; 2000 – HK$2,849 million).

   vi. Investment properties in Hong Kong – HK$723 million (2001 – HK$58 million; 2000 – HK$119 million).

   vii. Investments in investment properties joint venture projects in Hong Kong – nil (2001 – HK$1 million; 2000 – HK$18 million).

viii. Investments in overseas investment properties joint venture projects – nil (2001 – HK$119 million; 2000 – HK$28 million).

ix. Other fixed assets – HK$4,666 million (2001 – HK$10,632 million; 2000 – HK$8,958 million).

x. Other investments – HK$1,225 million (2001 – HK$1,264 million; 2000 – HK$1,342 million).

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

3G Telecommunications operations

1. Expiring in the first year – HK$529 million (2001 – HK$197 million; 2000 – HK$40 million).
2. Expiring in the second to fifth years inclusive – HK$2,000 million (2001 – HK$527 million; 2000 – HK$1 million).
3. Expiring after the fifth year – HK$6,680 million (2001 – HK$2,056 million; 2000 – HK$49 million).

Other operations

1. Expiring in the first year – HK$2,407 million (2001 – HK$2,011 million; 2000 – HK$1,888 million).
2. Expiring in the second to fifth years inclusive – HK$5,715 million (2001 – HK$5,589 million; 2000 – HK$1,554 million).
3. Expiring after the fifth year – HK$8,017 million (2001 – HK$6,015 million; 2000 – HK$4,460 million).

Operating lease commitments – future aggregate minimum lease payments for other assets

3G Telecommunications operations

1. Expiring in the first year – HK$66 million (2001 – HK$24 million; 2000 – HK$2 million).
2. Expiring in the second to fifth years inclusive – HK$64 million (2001 – HK$39 million; 2000 – HK$3 million).
3. Expiring after the fifth year – HK$2 million (2001 and 2000 – nil).

Other operations

1. Expiring in the first year – HK$308 million (2001 – HK$391 million; 2000 – HK$313 million).
2. Expiring in the second to fifth years inclusive – HK$856 million (2001 – HK$865 million; 2000 – HK$282 million).
3. Expiring after the fifth year – HK$1,431 million (2001 – HK$1,657 million; 2000 – HK$326 million).

32 Related Parties Transactions

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2002, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$21,094 million (2001 – HK$20,748 million; 2000 – HK$15,597 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$3,298 million (2001 – HK$3,037 million; 2000 – HK$3,039 million) for the benefit of these same entities.

33 Subsequent Events

In January 2003, the Group signed an agreement with Nestle Waters for the acquisition by Nestle Waters of the Powwow group, the Group's water manufacturing and distributing business in Europe, for a purchase price of EUR560 million.

In February 2003, the Group issued US$1,500 million principal amount of 6.5% notes due in 2013, the proceeds of which will be used to repay a portion of the Exchangeable Notes due in 2003 (Note 20b).

In March 2003, the Group issued AUD800 million principal amount of floating interest rate notes due in 2008, the proceeds of which will be used to refinance bank loans due in 2003 totalling AUD797 million (Note 20a).

34 US Dollar Equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK$7.80 to US$1.

35 Approval of Accounts

The accounts set out on pages F-5 to F-52 were approved by the Board of Directors on 20 March 2003.

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES at 31 December 2002

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services					
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	10,000,000	64	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HK$	40	43	Container terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	64	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	Euro	45,378,021	76	Container terminal operating
	Freeport Container Port Limited	Bahamas	B$	2,000	95	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	90	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HK$	20	87	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company, Limited	Hong Kong	HK$	20,000,000	50	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HK$	76,000,000	50	Ship repairing & general engineering
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	US$	2	100	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	US$	1	100	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	100	Container terminal operating
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	90	Finance
	Hutchison Westports Limited	United Kingdom	GBP	50,000,000	90	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	100	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SR	2,000,000	51	Container terminal operating
✡ ◇	Jiangmen International Container Terminals Limited	China	US$	14,461,665	50	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	Rs	1,109,384,220	100	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	6,000,000,000	80	Container terminal operating
	Logistics Information Network Enterprise Limited	Cayman Islands	US$	2	100	e-logistic services
	Mid-Stream Holdings Limited	British Virgin Islands/ Hong Kong	US$	25,400	100	Holding company & mid-stream container operating
+	Myanmar International Terminals Thilawa Limited	Myanmar	Kyat	1,000,000	85	Container terminal operating
✡ ◇	Nanhai International Container Terminals Limited	China	US$	31,200,000	50	Container terminal operating
✡	River Trade Terminal Co. Ltd.	British Virgin Islands/ Hong Kong	US$	1	33	River trade terminal operation
	Panama Ports Company, S.A.	Panama	US$	10,000,000	82	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	90	Container terminal operating
	PT Ocean Terminal Petikemas	Indonesia	IDR	130,000,000,000	100	Container terminal operating

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	PT Jakarta International Container Terminal	Indonesia	IDR221,450,406,500	51	Container terminal operating
✡ ◇	Shanghai Container Terminals Limited	China	RMB 2,000,000,000	37	Container terminal operating
◇	Shantou International Container Terminals Limited	China	US$ 88,000,000	70	Container terminal operating
△	Shenzhen Hutchison Inland Container Depots Co., Ltd.	China	HK$ 92,000,000	71	Inland container depots services
	Thai Laemchabang Terminal Co., Limited	Thailand	THB 800,000,000	88	Container terminal operating
+	Tanzania International Container Terminal Services Limited	Tanzania	TZS 1,801,666,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP 2	90	Container terminal operating
#	Westport Holdings Sdn. Bhd.	Malaysia	M$ 117,000,000	31	Container terminal operating
✡ ◇	Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	49	Container terminal operating
◇	Yantian International Container Terminals Limited	China	HK$ 2,400,000,000	48	Container terminal operating
◇	Yantian International Container Terminals (Phase III) Limited	China	HK$ 450,000,000	43	Container terminal operating
✡ ◇	Zhuhai International Container Terminals (Gaolan) Limited	China	US$ 23,500,000	50	Container terminal operating
✡ ◇	Zhuhai International Container Terminals (Jiuzhou) Limited	China	US$ 52,000,000	50	Container terminal operating
	Telecommunications				
	H3G S.p.A.	Italy	Euro 474,303,795	88	3G mobile multimedia services
	Celltel Limited	Ghana	GHC13,165,886,000	80	Mobile telephone services
✡	Fascel Limited	India	INR 5,000,000,000	49	Mobile telephone services
	Hi3G Access Aktiebolag	Sweden	SEK 10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	Euro 35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP 1	65	3G mobile multimedia services
	Hutchison Telecommunications Argentina S.A.	Argentina	ARS 407,000	90	Mobile telephone services
✡	Hutchison Essar South Limited	India	INR 5,396,075,000	49	Mobile telephone services
✡	Hutchison Essar Telecom Limited	India	INR 1,997,165,690	49	Mobile telephone services
✡	Hutchison Global Communications Limited	Hong Kong	HK$ 20	100	Fixed line communications
✡	Hutchison Max Telecom Private Limited	India	INR 1,084,388,190	49	Mobile telephone services
	Hutchison Paging Services Limited	Hong Kong	HK$ 20	100	Paging services
✡	Hutchison Telecom East Limited	India	INR 1,286,000,000	49	Mobile telephone services
	Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HK$ 20	100	Telecommunications
	Hanaball Limited	British Virgin Islands	US$ 1	100	Holds investment in telecommunications business
	Yockey Limited	British Virgin Islands	US$ 1	100	Holds investment in telecommunications business
	Best Praise Investments Limited	British Virgin Islands	US$ 1	100	Holds investment in telecommunications business
	Hutchison Telecommunications Limited	Hong Kong	HK$ 10,000	100	Holding company
*	Hutchison Telecommunications (Australia) Limited	Australia	A$ 1,031,243,972	58	Holding company & telecommunications

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Hutchison Telecommunications Paraguay S.A.	Paraguay	PYG	500,000,000	100	Mobile telephone services
	Hutchison Telephone Company Limited	Hong Kong	HK$	1,258,120	71	Mobile telephone services
	Hutchison Whampoa International (00/03) Limited	British Virgin Islands	US$	1	100	Finance & holding company
+	Lanka Cellular Services (Private) Limited	Sri Lanka	LKR	875,000,000	100	Mobile telephone services
#	Metro Broadcast Corporation Limited	Hong Kong	HK$	1,000,000	50	Radio broadcasting
*#	Partner Communications Company Ltd.	Israel	NIS	1,815,952	43	Mobile telephone services
#	Hutchison CAT Wireless MultiMedia Limited	Thailand	THB	15,000,000	32	Mobile telephone services
*#	TOM.COM LIMITED	Cayman Islands/ Hong Kong	HK$	332,186,596	29	Cross media
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
✡	Afford Limited	Hong Kong	HK$	20	50	Property investment
✡	Bayswater Developments Limited	British Virgin Islands	US$	2	50	Property investment
✡ +	Becogate Limited	Hong Kong	HK$	4	50	Property investment
✡	Chesgold Limited	Hong Kong	HK$	4	50	Property investment
✡	Cheung Wo Hing Fung Enterprises Limited	British Virgin Islands	US$	100	50	Property investment
✡	Conestoga Limited	Hong Kong	HK$	10,000	39	Property owning
	Consolidated Hotels Limited	Hong Kong	HK$	78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HK$	2	100	Property owning
✡	Forton Investment Limited	Hong Kong	HK$	4	50	Property investment
	Foxton Investments Limited	Hong Kong	HK$	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HK$	1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HK$	100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	US$	2	50	Hotel management
	Harley Development Inc.	Panama/ Hong Kong	US$	2	100	Property owning
	Hongville Limited	Hong Kong	HK$	2	100	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HK$	50,000	100	Property management
	Hutchison Hotel Hong Kong Limited	Hong Kong	HK$	2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	US$	1	100	Holding company
✡	Hutchison LR Development Limited	British Virgin Islands	US$	100	45	Property investment
+	Hutchison Lucaya Limited	Bahamas	US$	5,000	100	Investment in hotel
	Hutchison Properties Limited	Hong Kong	HK$	166,758,910	100	Holding company
	Hutchison Whampoa Properties Limited	Hong Kong	HK$	2	100	Holding company
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HK$	20	100	Property management & related services
	Hybonia Limited	Hong Kong	HK$	20	100	Property owning
✡	Konorus Investment Limited	Hong Kong	HK$	2	43	Property developing
✡	Marketon Investment Limited	Hong Kong	HK$	4	50	Property owning
✡	Marunochi N. V.	Netherlands Antilles	US$	20,120	45	Property owning
✡	Montoya (HK) Limited	Hong Kong	HK$	140	50	Property investment
	Mossburn Investments Limited	Hong Kong	HK$	1,000	100	Property owning
✡	New China Sheen Limited	Hong Kong	HK$	4	50	Property investment

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
✡	New China Target Limited	Hong Kong	HK$	4	50	Property investment
	Omaha Investments Limited	Hong Kong	HK$	10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HK$	100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
#+	Randash Investment Limited	Hong Kong	HK$	110	39	Investment in hotel
	Rhine Office Investments Limited	Hong Kong	HK$	2	100	Property owning
	Trillium Investment Limited	Bahamas/ Hong Kong	US$	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HK$	2	100	Property owning
	Vember Lord Limited	Hong Kong	HK$	2	100	Property owning
	Retail and manufacturing					
	A.S. Watson & Company, Limited	Hong Kong	HK$	109,550,965	100	Holding company
	A.S. Watson European Investments S.à r.l.	Luxembourg/ Europe	Euro	12,500	100	Investments in water manufacturing & distributing
	A.S. Watson Group (Europe) Holdings Limited	British Virgin Islands/Europe	US$	1	100	Investments in water manufacturing & distributing
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	US$	1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	Fortress Limited	Hong Kong	HK$	20	100	Retailing
✡◇	Guangzhou Aircraft Maintenance Engineering Company Limited	China	US$	27,500,000	25	Aircraft maintenance
◇	Guangzhou Watson's Food and Beverages Co. Ltd.	China	US$	12,000,000	95	Beverage manufacturing & trading
*	Hutchison Harbour Ring Limited	Bermuda/ Hong Kong	HK$	561,000,026	50.5	Trading & manufacturing of toys
	Hutchison Whampoa (China) Limited	Hong Kong	HK$	15,000,000	100	Investment holding & China services
	Kruidvat Holding B.V.	Netherlands	Euro	450,100	100	Retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HK$	20	50	Operating of duty free shops
	Park'N Shop Limited	Hong Kong	HK$	1,000,000	100	Supermarket operating
	Powwow Limited	United Kingdom	GBP	640	100	Water manufacturing & distributing
#+	Procter & Gamble - Hutchison Limited	Hong Kong	US$	52,750,000	20	Investments in manufacturing consumer products
	Savers Health and Beauty Limited	United Kingdom	GBP	1,400,000	100	Retailing
	Superdrug Stores Plc	United Kingdom	GBP	21,510,854	100	Retailing
	Watson Park'N Shop Limited	Taiwan	NT$	711,000,000	100	Retailing
	Watson's Personal Care Stores Pte. Ltd	Singapore	S$	5,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP	135,000,000	60	Retailing
	Watson's The Chemist Limited	Hong Kong	HK$	1,000,000	100	Retailing
	Energy and infrastructure					
+	Anderson Asia (Holdings) Limited	Hong Kong	HK$	1	85	Quarry operation and production; distribution of concrete & aggregates
+	Cheung Kong China Infrastructure Limited	Hong Kong/ China	HK$	2	85	Investment in infrastructure projects
*+	Cheung Kong Infrastructure Holdings Limited	Bermuda/ Hong Kong	HK$	2,254,209,945	85	Holding company
@#+	ETSA Utilities Partnership	Australia		N/A	42	Electricity distribution

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital		Percentage of equity attributable to the Group	Principal activities
+	Green Island Cement (Holdings) Limited	Hong Kong	HK$	203,098,914	85	Cement manufacturing & distributing
*#+	Hongkong Electric Holdings Limited	Hong Kong	HK$	2,134,261,654	33	Electricity generating
*#+	Husky Energy Inc.	Canada	C$	3,405,662,976	35	Investment in oil and gas
#+	Powercor Australia Limited	Australia	A$	12	42	Electricity distribution
	Finance and investments					
	Binion Investment Holdings Limited	Cayman Islands	US$	3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HK$	2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HK$	139,254,060	100	Holding company
	Hornington Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
	Hutchison International Finance (01/08) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	US$	1	100	Finance
	Hutchison International Limited	Hong Kong	HK$	446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	Euro	1,764,026,850	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP	1,000	100	Consultancy services
	Hutchison Whampoa Finance (00/03) Limited	Cayman Islands	US$	2	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa Hongville Finance Limited	Cayman Islands	US$	1	100	Finance
	Hutchison Whampoa International (01/11) Limited	British Virgin Islands	US$	1	100	Finance
	Ottershaw Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment
	Strategic Investments International Limited	British Virgin Islands	US$	1	87	Overseas portfolio investment & treasury
	Thamesway Investments Limited	British Virgin Islands	US$	1	100	Finance
	Willesden Limited	British Virgin Islands	US$	75,000,000	100	Overseas portfolio investment
	Zeedane Investments Limited	British Virgin Islands	US$	1	100	Overseas portfolio investment

The above table lists the principal subsidiary and associated companies and jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation. The activity of portfolio investment and e-commerce business is international, and not attributable to a principal place of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and jointly controlled entities are held indirectly.

* *Company listed on the Stock Exchange of Hong Kong except Partner Communications Company Ltd which is listed on both the London Stock Exchange and the Tel Aviv Stock Exchange and quoted on the Nasdaq Stock Market, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Stock Exchange Limited, Husky Energy Inc which is listed on the Toronto Stock Exchange and TOM.COM LIMITED which is listed on the Growth Enterprise Market in Hong Kong.*

\# *Associated companies*

✡ *Jointly controlled entities*

◇ *Equity joint venture registered under PRC law*

△ *Cooperative joint venture registered under PRC law*

@ *ETSA Utilities Partnership, an incorporated body, consists of 5 associates of the Group as follows:*
CKI Utilities Development Limited
CKI Utilities Holdings Limited
CKI/HEI Utilities Distribution Limited
HEI Utilities Development Limited
HEI Utilities Holdings Limited

The partnership operates the electricity distribution network in the State of South Australia of Australia.

\+ *The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets, turnover (excluding share of associated companies and jointly controlled entities) and profit before taxation (including share of associated companies and jointly controlled entities) of these companies not audited by PricewaterhouseCoopers amounted to approximately 7.7%, 3.6% and 31.3% of the Group's respective items.*

INDEPENDENT REVIEW REPORT

To the board of directors of Hutchison Whampoa Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages F-54 to F-67.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June

		Unaudited		
	Note	2003	2003	As restated 2002
		US$	HK$	
		(in millions, except earnings per share)		
Turnover				
Company and subsidiary companies		6,077	47,404	33,319
Share of associated companies and jointly controlled entities		2,369	18,475	13,274
	2	8,446	65,879	46,593
Company and subsidiary companies				
Turnover		6,077	47,404	33,319
Cost of inventories sold		2,616	20,410	11,845
Staff costs		969	7,565	5,668
Depreciation and amortisation		465	3,627	2,510
Other operating expenses		1,489	11,611	7,316
Profit on disposal of investments and provisions	2	246	1,922	2,139
		784	6,113	8,119
Share of profits less losses of associated companies		543	4,238	2,556
Share of profits less losses of jointly controlled entities		123	960	601
Earnings before interest and taxation	2	1,450	11,311	11,276
Interest and other finance costs, including share of associated companies and jointly controlled entities	3	585	4,562	3,398
Profit before taxation		865	6,749	7,878
Current taxation charge	4	158	1,236	871
Deferred taxation charge (credit)	4	(55)	(428)	94
Profit after taxation		762	5,941	6,913
Minority interests		(16)	(126)	967
Profit attributable to shareholders	5	778	6,067	5,946
Interim dividend		279	2,174	2,174
Earnings per share	6	US18.2 cents	1.42	1.39
Interim dividend per share		US6.54 cents	0.51	0.51

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2003	Unaudited 30 June 2003	As restated Audited 31 December 2002
		US$ millions	HK$ millions	
ASSETS				
Non-current assets				
Fixed assets		21,506	167,747	148,713
Other non-current assets	7	12,548	97,873	95,069
Goodwill		1,001	7,809	7,838
Deferred tax assets		448	3,496	2,032
Associated companies		6,164	48,082	45,277
Interests in joint ventures		4,512	35,193	35,016
Liquid funds and other listed investments	8	8,246	64,317	75,597
Total non-current assets		54,425	424,517	409,542
Cash and cash equivalents	9	10,817	84,374	42,852
Other current assets	9	7,186	56,048	45,755
Current liabilities	10	13,201	102,970	83,429
Net current assets		4,802	37,452	5,178
Total assets less current liabilities		59,227	461,969	414,720
Non-current liabilities				
Long term liabilities	11	21,682	169,122	141,569
Deferred tax liabilities		1,146	8,942	8,680
Pension obligations		99	769	730
Total non-current liabilities		22,927	178,833	150,979
Minority interests		6,062	47,283	41,596
Net assets		30,238	235,853	222,145
CAPITAL AND RESERVES				
Share capital	12	137	1,066	1,066
Reserves		30,101	234,787	221,079
Shareholders' funds		30,238	235,853	222,145

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June

	Unaudited		
	2003	2003	2002
	US$ millions	HK$ millions	
Operating activities			
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	2,323	18,122	14,786
Share of EBITDA of associated companies and jointly controlled entities	(970)	(7,567)	(5,167)
Dividends received from associated companies and jointly controlled entities	452	3,527	1,761
Distribution from property jointly controlled entities	159	1,243	1,759
Interest and other finance costs	(469)	(3,662)	(2,550)
Loss (profit) on disposal of subsidiary and associated companies, jointly controlled entities, unlisted investments and fixed assets	(219)	(1,708)	246
Taxation paid	(53)	(415)	(414)
Funds from operations	1,223	9,540	10,421
Changes in working capital	(108)	(845)	(3,845)
Cash flows from operating activities	1,115	8,695	6,576
Investing activities			
Purchase of 3G related fixed assets	(1,765)	(13,768)	(9,321)
Purchase of other fixed assets	(666)	(5,193)	(4,572)
Proceeds on disposal of subsidiary companies	604	4,710	274
Other investing activities	(224)	(1,749)	(2,275)
Subtotal	(2,051)	(16,000)	(15,894)
Net transfer from liquid funds and other listed investments	1,603	12,502	9,450
Cash flows from investing activities	(448)	(3,498)	(6,444)
Financing activities			
Net cash flows from financing activities	5,426	42,323	5,009
Dividends paid to minority shareholders	(102)	(797)	(989)
Dividends paid to shareholders	(667)	(5,201)	(5,201)
Cash flows from financing activities	4,657	36,325	(1,181)
Increase (decrease) in cash and cash equivalents	5,324	41,522	(1,049)
Cash and cash equivalents at 1 January	5,494	42,852	47,374
Cash and cash equivalents at 30 June	10,818	84,374	46,325
Analysis of cash, liquid funds and other listed investments			
Cash and cash equivalents, as above	10,818	84,374	46,325
Managed funds, overseas	4,809	37,510	32,377
Held-to-maturity listed debt securities and long term deposits	3,392	26,460	15,291
Listed equity securities, Hong Kong	354	2,764	3,051
Listed equity securities, overseas	1,795	14,002	24,438
Liquid funds and other listed investments	10,350	80,736	75,157
Total cash, liquid funds and other listed investments	21,168	165,110	121,482
Bank and other interest bearing borrowings	29,050	226,593	155,982
Net debts	7,882	61,483	34,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June

	Share capital	Share premium	Revaluation reserve	Exchange reserve	Retained profit	Total
			HK$ millions			
At 1 January 2003, as previously reported	1,066	28,359	5,074	982	190,695	226,176
Prior year adjustment (note 1)	—	—	(484)	15	(3,562)	(4,031)
At 1 January 2003, as restated	1,066	28,359	4,590	997	187,133	222,145
Company and subsidiary companies' profit for the period	—	—	—	—	3,015	3,015
Share of reserves of associated companies	—	—	104	1,226	2,525	3,855
Share of reserves of jointly controlled entities	—	—	—	(74)	527	453
Net goodwill released upon disposal of subsidiary and associated companies and jointly controlled entities	—	—	—	—	1,170	1,170
Revaluation surplus on Vodafone and Deutsche Telekom shares	—	—	1,485	—	—	1,485
Revaluation surplus on other investments	—	—	1,212	—	—	1,212
Deferred tax effect on revaluation	—	—	(24)	—	—	(24)
Valuation released upon disposal of Vodafone and Deutsche Telekom shares	—	—	1,569	—	—	1,569
Exchange translation differences	—	—	—	6,174	—	6,174
2002 final dividend paid	—	—	—	—	(5,201)	(5,201)
At 30 June 2003	1,066	28,359	8,936	8,323	189,169	235,853
At 1 January 2002, as previously reported	1,066	28,359	11,847	(6,889)	183,694	218,077
Prior year adjustment (note 1)	—	—	(311)	24	(3,636)	(3,923)
At 1 January 2002, as restated	1,066	28,359	11,536	(6,865)	180,058	214,154
Company and subsidiary companies' profit for the period	—	—	—	—	5,573	5,573
Share of reserves of associated companies	—	—	10	399	442	851
Share of reserves of jointly controlled entities	—	—	—	22	(69)	(47)
Net goodwill released upon disposal of subsidiary and associated companies and jointly controlled entities	—	—	—	—	33	33
Revaluation deficit on Vodafone and Deutsche Telekom shares	—	—	(11,126)	—	—	(11,126)
Revaluation deficit on other investments	—	—	(2,289)	—	—	(2,289)
Deferred tax effect on revaluation	—	—	11	—	—	11
Valuation released upon disposal of other investments	—	—	77	—	—	77
Exchange translation differences	—	—	—	4,525	—	4,525
2001 final dividend paid	—	—	—	—	(5,201)	(5,201)
At 30 June 2002	1,066	28,359	(1,781)	(1,919)	180,836	206,561

As at 30 June 2003, included in revaluation reserves are investment properties revaluation surplus of HK$11,788 million (1 January 2003, 1 January 2002 and 30 June 2002 – HK$11,788 million, HK$13,846 million and HK$13,846 million respectively, as restated) and investment revaluation deficit of HK$2,852 million (1 January 2003, 1 January 2002 and 30 June 2002 – deficit of HK$7,198 million, HK$2,310 million and HK$15,627 million respectively, as restated). Included in share premium is a capital redemption reserve of HK$404 million in all reporting periods.

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting", as applicable to condensed interim accounts, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002, except the Group has adopted the revised SSAP 12 "Income taxes" to account for deferred taxation which became effective on 1 January 2003.

In previous years, deferred taxation was accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. This change in accounting policy has resulted in an increase of HK$350 million and a decrease of HK$5 million in the profit attributable to shareholders for the six months ended 30 June 2003 and 2002 respectively. 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 various other balance sheet items 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			Six months ended 30 June 2002		
	Company and Subsidiaries	Associates and JCE	Total	Company and Subsidiaries	Associates and JCE	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			Six months ended 30 June 2002		
	Company and Subsidiaries	Associates and JCE	Total	Company and Subsidiaries	Associates and JCE	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			Six months ended 30 June 2002		
	Company and Subsidiaries	Associates and JCE	Total	Company and Subsidiaries	Associates and JCE	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			Six months ended 30 June 2002		
	Company and Subsidiaries	Associates and JCE	Total	Company and Subsidiaries	Associates and JCE	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	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

	Six months ended 30 June 2003			Six months ended 30 June 2002		
	Current taxation	Deferred taxation	Total	Current taxation	Deferred taxation	Total
	HK$ millions					
Hong Kong						
Subsidiary companies	246	110	356	260	(11)	249
Associated companies	177	201	378	175	37	212
Jointly controlled entities	27	8	35	29	(2)	27
Overseas						
Subsidiary companies	530	(1,073)	(543)	281	(141)	140
Associated companies	197	310	507	88	206	294
Jointly controlled entities	59	16	75	38	5	43
	1,236	(428)	808	871	94	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).

7 Other non-current assets

	30 June 2003	31 December 2002
	HK$ millions	
Cost of licences for 3G telecommunications spectrum	94,055	88,519
Subscribers acquisition costs related to 3G businesses	542	—
Pension assets	—	35
Other unlisted investments		
Held-to-maturity debt securities	1,850	3,842
Equity securities and advances	1,426	2,673
	3,276	6,515
	97,873	95,069

8 Liquid funds and other listed investments

	30 June 2003	31 December 2002
	HK$ millions	
Managed funds, overseas		
Listed held-to-maturity debt securities	32,328	33,471
Cash and cash equivalents	5,182	657
	37,510	34,128
Listed held-to-maturity debt securities	26,170	17,232
Listed equity securities, Hong Kong	2,764	3,427
Listed equity securities, overseas	14,002	32,307
Long term deposits	290	321
	80,736	87,415
Less: current portion	(16,419)	(11,818)
	64,317	75,597

Included in the listed held-to-maturity debt securities is investment in notes totalling HK$788 million (31 December 2002 – HK$5,218 million) which are subject to certain callable asset swap arrangements with financial institutions. Pursuant to these arrangements, fixed rate notes were purchased and simultaneously interest rate swap agreements were entered into whereby the notes became floating interest rate bearing notes. The financial institutions have a call option to purchase the notes any time before maturity in 2004.

The Group has issued options and the option purchasers have the right to acquire approximately 262 million shares of Vodafone and approximately 54 million shares of Deutsche Telekom. The options expire later this year.

9 Current assets

	30 June 2003	31 December 2002
	HK$ millions	
Stocks	10,266	8,742
Trade receivables	5,774	4,726
Other receivables and prepayments	23,589	20,469
Current portion of liquid funds and other listed investments	16,419	11,818
Other current assets	56,048	45,755
Cash and cash equivalents	84,374	42,852
	140,422	88,607

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:

Current	3,751	3,277
31-60 days	998	844
61-90 days	482	253
Over 90 days	543	352
	5,774	4,726

10 Current liabilities

	30 June 2003	31 December 2002
	HK$ millions	
Bank loans	7,526	13,334
Other loans	113	94
Exchangeable notes		
US$3,000 million exchangeable notes, 2.875% due 2003	23,400	23,400
US$2,657 million exchangeable notes, 2% due 2004	20,723	—
Other notes and bonds		
HK$ notes, 7% due 2003	1,000	1,000
Trade payables	7,829	8,610
Other payables and accruals	41,393	36,400
Taxation	986	591
	102,970	83,429

The exchangeable notes of US$3,000 million and US$2,657 million are notes exchangeable into ordinary shares of Vodafone anytime before maturity at the option of the holders on the basis of US$1,000 principal amount for 196.61 shares at US$5.086 per share and for 214.51 shares at US$4.6618 per share respectively.

At end of period, the ageing analysis of the trade payables is as follows:

Current	5,018	5,354
31-60 days	1,233	1,280
61-90 days	534	516
Over 90 days	1,044	1,460
	7,829	8,610

11 Long term liabilities

	30 June 2003	31 December 2002
	HK$ millions	
The loans are repayable as follows:		
Bank loans		
After 1 year, but within 2 years	21,366	7,511
After 2 years, but within 5 years	39,460	54,210
After 5 years	24,437	12,152
Other loans		
After 1 year, but within 2 years	5,510	89
After 2 years, but within 5 years	1,017	5,348
After 5 years	2,253	846
Exchangeable notes		
After 1 year, but within 2 years	—	20,723
Other notes and bonds		
After 1 year, but within 2 years	2,273	1,500
After 2 years, but within 5 years	17,921	11,770
After 5 years	54,885	27,420
	169,122	141,569

12 Share capital

	30 June 2003	31 December 2002	30 June 2003	31 December 2002
	Number of shares		HK$ millions	
Authorised:				
Ordinary shares of HK$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7-1/2% cumulative redeemable participating preference shares of HK$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	4,263,370,780	4,263,370,780	1,066	1,066

13 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	30 June 2003			31 December 2002		
	Company	Subsidiaries	Total	Company	Subsidiaries	Total
	HK$ millions					
To associated companies						
Other businesses	—	900	900	—	335	335
	—	900	900	—	335	335
To jointly controlled entities						
Property businesses	1,669	3,274	4,943	1,671	3,311	4,982
Telecommunication businesses	4,243	647	4,890	4,133	946	5,079
Other businesses	500	800	1,300	500	800	1,300
	6,412	4,721	11,133	6,304	5,057	11,361

At 30 June 2003, the Group had contingent liabilities in respect of guarantees related to contracts for the procurement of 3G handsets of HK$13,842 million (31 December 2002 – HK$14,116 million), procurement of 3G infrastructure of HK$2,242 million (31 December 2002 – HK$2,036 million), and other guarantees of HK$4,177 million (31 December 2002 – HK$2,103 million) mainly for property businesses and performance guarantees.

Pursuant to the disclosure requirements of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its financing and other subsidiary companies which have already been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated debt included in Notes 10 and 11 totalling HK$221,884 million (31 December 2002 – HK$179,397 million), the Company has guaranteed a total of HK$169,136 million (31 December 2002 – HK$131,843 million) which has been borrowed in the name of subsidiary companies.

14 Commitments

There have been no material changes in the total amount of capital commitments since 31 December 2002 except for the amounts taken up during the period in the normal course of business.

15 Related parties transactions

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 30 June 2003, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$20,827 million (31 December 2002 – HK$21,094 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$4,943 million (31 December 2002 – HK$3,298 million) for the benefit of these same entities.

16 Legal Proceedings

Other than the disputes with CIRtel and KPN Mobile N.V. described below, the Group is not engaged in any material litigation or arbitration proceeding, and no material litigation or claim is known by the Group to be pending or threatened against it.

CIRtel Arbitration

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 E373.2 million shareholder loan from CIRtel to H3G Italia, being CIRtel's pro rata contribution to finance the acquisition of a 3G national network license 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.

KPN Mobile N.V. Litigation

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.

17 US dollar equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK$7.80 to US$1.

GLOSSARY OF CERTAIN TERMS

Aggregates — rock, generally granite, which has been crushed into different sizes for use in the construction industry.

BHP — brake horse power.

CDMA — Code Division Multiple Access cellular telephone technology.

Cellular network operator — an operator of a cellular telephone network.

Cellular service provider — a company that buys airtime wholesale from cellular network operators and resells a range of mobile communications services to its subscribers.

EBIT — Earnings before interest expense, other finance costs, taxation and minority interests.

ETS — External Telecommunications Service.

FTNS — Fixed wireline telecommunications network.

GPRS — General Packet Radio System.

GSM — Global System for Mobile Communications cellular telephone technology.

IDD — International Direct Dial.

kbps — kilobyte per second.

km — kilometer.

MHz — megahertz.

MW — megawatt, equal to 1,000 kilowatts.

NGLs — natural gas liquids.

NPC — the National People's Congress of China.

PCS — Personal Communications Service, System or Network cellular telephone technology.

SAR — Special Administrative Region of the PRC.

SDH — synchronous digital hierarchy. A set of standard fiber optic based serial standards.

square meter — equivalent to approximately 10.764 square feet.

TDMA — Time Division Multiple Access IS-54, a digital cellular system.

TEU — Twenty foot equivalent unit, which is the amount of cargo that can be shipped in a container 20 feet long by 8 feet wide by 8 feet 6 inches high with a maximum load of 24 tons.

UMTS — Universal Mobile Telecommunications Systems.

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