Hutchison Whampoa Limited

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

## HIGHLIGHTS

| | **2002** | 2001 | Changes |
|---|---|---|---|
| | **HK$'million** | **HK$'million** | |
| Profit attributable to shareholders | **14,288** | 11,980 | 19% |
| Earnings per share | **HK$3.35** | HK$2.81 | 19% |
| Final dividend per share | **HK$1.22** | HK$1.22 | - |

- Profit attributable to shareholders, excluding exceptional gains, increased 44%
- Earnings before interest expense and taxation ("EBIT") of HK$24,447 million, increase of 13%
- Operating business divisions all achieved EBIT growth
- 3G development completed and ready to start business in 2003
- Cash and liquid investments, at market value, totalled HK$130,267 million

## CHAIRMAN'S STATEMENT

The Group's strong performance in 2002 reflects solid earnings growth with all of the Group's operating business divisions reporting improved results despite the continuing uncertain economic conditions and volatile markets. In this challenging period, the Group focused on continuing to develop its existing businesses while laying the groundwork for future growth and value creation in the new 3G mobile multimedia telecommunication operations.

## RESULTS

The Group's audited profit attributable to shareholders for the year amounted to HK$14,288 million, an increase of 19% compared to the previous year. Earnings per share amounted to HK$3.35, an increase of 19%. These results include profit on disposal of investments less provisions totalling HK$1,524 million (2001 – HK$3,124 million) which primarily relates to a profit of HK$1,129 million arising from the sale to strategic partners of equity interests, ranging from 1% to 3%, in certain ports. Profit on disposal of investments less provisions is described in Note 3 to the audited consolidated profit and loss account. Excluding these exceptional gains in both years, profit attributable to shareholders increased 44%, reflecting healthy continuous growth in the Group's recurring operations.

During the year, equity markets continued to be volatile and to decline, which has adversely affected the Group's remaining equity investments in Vodafone Group and Deutsche Telekom. The Vodafone Group share price declined from a book carrying value of £1.28 to £1.13 and Deutsche Telekom declined from a book carrying value of Euro17.38 to Euro12.25 at 31 December 2002. Considering the continuing volatility in the equity markets and the uncertain global economy, the decline in value of HK$3,105 million upon marking these investments to the 31 December 2002 market value, is not currently considered a permanent diminution and, therefore, in accordance with the Group's accounting policy, the reduction in value has been accounted for in investment revaluation reserves in the balance sheet. The Group continues to monitor and, where appropriate, enter into hedging arrangements relative to these positions. Currently 40% of the Group's holdings in Vodafone Group are hedged at or above book carrying value.

**DIVIDEND**

Your Directors will recommend a final dividend of HK$1.22 per share (2001 – HK$1.22) at the forthcoming Annual General Meeting. This, together with the interim dividend of HK$0.51 paid on 11 October 2002, gives a total dividend of HK$1.73 per share (2001 – HK$1.73).

**OPERATIONS**

The Group's turnover and earnings before interest expense and taxation ("EBIT"), including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment in Note 1 to the consolidated profit and loss account. Turnover for the year totalled HK$111,129 million, an increase of 25% over last year, mainly reflecting increased turnover in the ports and related services, property and hotels, and retail and manufacturing divisions. These were partially offset by decreased turnover in the finance and investments division due to the lower interest rates environment. Total EBIT for the year increased 13% to HK$24,447 million. All of the Group's divisions, other than the finance and investment division, reported EBIT ahead of last year.

**Ports and related services**

The ports and related services division reported turnover of HK$20,572 million, a 33% increase over last year. The increase in turnover reflects throughput growth and the additional activity from the 13 container terminals acquired in the latter part of 2001 and in early 2002. The combined throughput of the worldwide operations increased 32% to 35.8 million TEUs (twenty foot equivalent units) and this division reported EBIT of HK$6,795 million, 17% above last year. The major contributors to this total EBIT performance are as follows:

- The Hong Kong and Yantian deepwater port operations, which together serve the Shenzhen and Southern China manufacturing basin reported combined throughput growth of 21% and EBIT growth of 11%.

- In the United Kingdom ("UK"), combined container throughput at Felixstowe, Thamesport and Harwich was in line with last year and the combined EBIT grew 34%, mainly due to a successful cost rationalisation programme. In December 2001, the European Commission approved a request to increase the Group's ownership of Europe Container Terminals ("ECT") in Rotterdam, from 31.5% to 75.5%, subject to a condition to sell its 33.3% interest in the recently completed adjacent Maersk Delta Terminals ("MDT"). ECT reported throughput 2% below last year, mainly due to a shipping line moving to MDT after it commenced operation. EBIT was 358% above last year reflecting the increased shareholding and the profit arising from the required disposal of MDT, partially offset by the effect of reduced throughput.

- In Indonesia, Jakarta International Container Terminal and the adjacent Koja Terminal reported combined throughput growth of 5% and EBIT growth of 14%, reflecting a successful effort to reduce costs.

- Shanghai Container Terminals, a joint venture company, reported a 16% growth in throughput and EBIT was in line with the previous year. The Group expanded its Mainland operations with the acquisition in January 2002 of a 49% interest in Ningbo Beilun International Container Terminals, which reported throughput of 984,000 TEUs and EBIT ahead of expectation. In March this year, the Group completed the acquisition of a 30% interest in Shanghai Pudong International Container Terminals, which operates the 1.8 million TEU annual capacity terminal in Phase I of Waigaoqiao Container Terminals.

- Internacional de Contenedores Asociados de Veracruz, which is located on the eastern coast of Mexico, reported throughput of 600,800 TEUs, a 19% increase over the comparable annualised throughput last year and EBIT increased 56% on the same comparative basis. International Ports Services at Dammam in Saudi Arabia, reported throughput of 564,200 TEUs and a 15% increase over the comparable annualised throughput last year and EBIT increased 19% on the same comparative basis.

The other ports in the division taken as a whole also performed satisfactorily.

The division is continuing to expand, mainly by developing its existing operations. Construction work is continuing on the Container Terminal 9 consortium development in Hong Kong to add 1.3 million TEUs of annual capacity and on Phase IIIA of Yantian port to add 2.0 million TEUs of annual designed capacity. The first berth of Container Terminal 9 is expected to be completed in the third quarter of 2003. The first two berths of Phase IIIA of Yantian port are expected to be completed at the end of 2003 and two further berths in 2004. Further capacity is being constructed at Balboa, Panama, to increase annual capacity by 500,000 TEUs to one million TEUs and is scheduled for completion at the end of 2003, while construction of Phase II of Kwangyang port in South Korea, consisting of seven berths with an annual capacity of 2.5 million TEUs, is progressing and is scheduled for completion in phases to 2004. This capacity expansion programme to meet demand and the continuing growth in the existing ports, provides a solid base for earnings growth in 2003 and beyond.

After completing major acquisitions of 13 container terminals in 2001 and 2002, this division currently operates in five of the seven busiest container ports in the world, with interests in a total of 31 ports comprising 175 berths in 15 countries. While this division will continue on a selective basis to seek attractive investment opportunities, it is currently focused on improving and developing its existing businesses.

**Telecommunications**

The telecommunication division's turnover of HK$13,367 million and EBIT of HK$818 million, an increase of 17% and 14% respectively, reflect the results of the Hong Kong mobile and fixed line operations, the Australian operations, India, Israel and other 2G operations, and dividends received from equity investments in Vodafone Group and Deutsche Telekom. Turnover increased mainly due to continued strong subscriber growth in the 2G operations in India and Israel. Currently, the Group's Hong Kong, Australia, India, Israel and other 2G operations have over 6.1 million subscribers, a growth of 34% from the beginning of the year. EBIT increased 14%, 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 Group's 3G operations in the UK, Italy, Sweden, Denmark and Austria along with the CDMA-1X operation in Thailand were in a pre-operating investment phase in 2002 and the related pre-operating expenses of HK$1,871 million which have been charged to the profit and loss account, have been compensated for by the release of provisions made in previous years.

In Hong Kong, the Group has maintained its position as the largest mobile operator with approximately 1.7 million subscribers currently and an approximate 28% market share. The 2G mobile operations successfully reduced operating costs and reported a stabilisation of its average revenue per user ("ARPU") after several years of intense price competition, resulting in EBIT well above last year. EBIT from the 2G operations more than covered the pre-operating expenses of its 3G business. The construction of the 3G network is on schedule and services are targeted to commence in June this year. In October, the Group sold an effective 3.73% equity interest in the Hong Kong 2G and 3G operations to a strategic partner, NEC Corporation, reducing the Group's interests to 70.9%.

Hutchison Global Communications ("HGC"), formerly Hutchison Global Crossing, which owns and operates a terrestrial fibre optic network in Hong Kong, continued to grow its business and reported strong customer growth for its broadband, data and voice services as well as its international bandwidth business. HGC increased its duct routes to over 3,300 kilometres. HGC reported improved operations, achieving its first month of EBIT in November and reducing its full year loss before interest expense and taxation ("LBIT") by 49% on an annualised basis compared to last year.

In Australia, listed Hutchison Telecommunications Australia ("HTA") announced a 44% increase in its net loss attributable to shareholders compared to last year of A$197 million, which reflects reduced losses from its existing 2G operations as a result of increased subscribers and ongoing cost reduction initiatives, offset by pre-operating expenses of A$85 million incurred as it builds its 3G network, which is scheduled to commence operations in the first half of this year. Orange Mobile subscribers increased by 37% from the beginning of the year to over 263,000 and the 2G operation reached a milestone by reporting positive earnings before interest expense, taxation, depreciation and amortisation ("EBITDA") in the second half of the year.

The Group's 2G operations in India increased their combined subscriber base by 80% from the beginning of the year to over 2.0 million currently. EBIT decreased 15% reflecting continuing EBIT growth from the four existing operations in Mumbai, Delhi, Kolkata and Gujarat, offset by start-up losses from operations in the new licence areas in Andhra Pradesh, Karnataka and the city of Chennai, which all launched GSM network services in June 2002. The Indian operations continue to progress satisfactorily and are expected to provide further growth in the future. In January 2003, an agreement was reached to purchase, subject to regulatory approval, a licence to operate cellular mobile telephone services in the state of Punjab.

In Israel, listed Partner Communications ("Partner") has continued to grow its subscriber base, which at the end of 2002 totalled over 1.8 million, a 26% increase from the beginning of the year. Partner announced a milestone first time profit attributable to shareholders of US$18 million for the year, compared to a loss of US$69 million last year. During the year, Partner's original 2G spectrum licence was extended for an additional fourteen years to 2022 at no cost.

In Europe, the Group focused on finalising the deployment of networks, integration of systems, final user testing and preparations for commercial operations in its 3G businesses this year. In both the UK and Italy, the teams have been working hard and are satisfied that the 3G networks in these countries are now ready to provide quality services to customers. Consequently, the 3G operations in both countries are now "open for business". Handset pricing policies and tariff plans have been announced and early customer responses have been encouraging. Hutchison 3G UK has opened flagship **3** stores and other high street outlets and signed agreements with major handset distributors. Hutchison 3G Italy has also established its distribution channels, announced its handset pricing policies and tariff plans and received enthusiastic customer interest. On 3 March this year, the Group informed the market that the delivery of handsets would begin in both the UK and Italy in mid-March and suppliers have committed to deliver 700,000 units by the end of May. 3G services in Sweden, Denmark and Austria are scheduled to commence later this year. Through a rigorous review of capital expenditure requirements, operating methods and costs, the Group is projecting to reduce the aggregate peak funding requirement for its 3G business through to 2005 by over Euro4,000 million (HK$31,000 million). By the end of this year, approximately 100% of the licence costs and approximately 70% of the capital expenditure requirements for the 3G operations are expected to have been incurred, substantially completing the 3G telecommunication investment phase. The peak funding requirements for both the UK and Italy operations are currently being met by mainly existing non or limited recourse syndicated bank loans and matching loans from equipment vendors. The Group expects to provide some further financial support to its 3G businesses during their start-up phase and has substantial liquid assets to cover any such requirements. As the 3G businesses move from a development phase to full operations mode in 2003, the Group is confident the services will be successfully received.

On 9 August 2002, the Group together with Singapore Technologies Telemedia received the United State of America Bankruptcy Court's approval of an agreement for each to invest US$125 million for a 30.75% interest in a newly constituted Global Crossing Ltd ("GC") on its emergence from bankruptcy. GC owns and operates an integrated global fiber-optic network that reaches 27 countries and more than 200 major cities around the globe. This transaction is scheduled to be completed in the first half of 2003, subject to obtaining regulatory approvals and satisfaction of other closing conditions.

**Property and hotels**

The property and hotels division turnover amounted to HK$11,709 million, a 112% increase over last year, mainly due to increased development activity. EBIT of HK$2,570 million was 50% above last year, mainly due to increased rental income from completed properties, the profit from the sale of three hotels in the Mainland and the completion and sale of more development projects. The vast majority of this division's EBIT arises from the steady and recurring gross rental earned from the division's investment portfolio, which grew 9% in 2002. The Hong Kong portfolio of 12.7 million sq ft of commercial, office, industrial and residential properties continues to be substantially fully let. Development profits were realised primarily from the completion and sale of 865 residential units of The Victoria Towers in Hong Kong, 131 residential units of the Harbourfront Landmark in Hong Kong and 525 residential units of Phase II of Le Parc in Shenzhen. The ongoing development projects in Hong Kong, the Mainland and overseas in London and Singapore are progressing satisfactorily. In 2001 and the first half of 2002, the Group substantially increased its landbank, particularly in Mainland China. The Group's share of the developed landbank portfolio totals approximately 16.0 million sq ft of mainly residential properties to be completed in phases to 2009. The division's portfolio of hotels overall reported EBIT well ahead of last year due to improved operating results and a one time profit realised on the sale of the Time Plaza Shenyang, Harbour Plaza Beijing and Harbour Plaza Kunming hotels.

**Retail and manufacturing**

The retail and manufacturing division reported turnover of HK$39,471 million, a 34% increase, mainly reflecting increased turnover from the acquisition of the Kruidvat

Group. EBIT of HK$1,031 million was 92% better than last year, mainly due to profits contributed by Kruidvat Group and improved results from existing operations.

Although PARKnSHOP, the supermarket chain, continued to be affected by the deflationary economy in Hong Kong, it reported improved results from its cost rationalisation programme. Its Mainland operations reported encouraging results and continued to grow, opening an additional four large-format stores in Southern China. The Watsons personal care, health and beauty retail operations in Hong Kong, Mainland China and other Asian countries, and Savers in the UK, reported a combined 21% increase in sales and a 16% increase in EBIT. The increase was mainly attributable to the improved performance of Savers in the UK which increased its chain by 56 stores, partially offset by lower results in Taiwan. In October 2002, the Group acquired Kruidvat Group, a leading health and beauty retail chain with a store portfolio of approximately 1,900 outlets in six European countries. Kruidvat Group was immediately accretive to the Group, contributing two months of earnings and cash flow. The combined turnover of the water and beverage manufacturing and distribution operations in Hong Kong, the Mainland and Europe was in line with last year, however, EBIT was disappointing and lower due to adverse weather and competitive conditions. In January this year, an agreement was signed to sell the European water operations, subject to regulatory approval, to Nestlé Water for a consideration of approximately Euro560 million. The disposal is expected to be completed later this year and a profit will be recorded at that time.

Hutchison Harbour Ring, a listed subsidiary, announced turnover of HK$1,816 million and net profit attributable to shareholders of HK$105 million.

**Cheung Kong Infrastructure**

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover of HK$3,595 million and profit attributable to shareholders of HK$3,425 million, 3% above last year. CKI has promising prospects.

**Husky Energy**

Husky Energy, a listed associated company, announced turnover of C$6,384 million and profit attributable to shareholders of C$804 million, 23% above last year, mainly due to increased oil production and improved oil prices. Due to the current strong oil prices, Husky Energy is expected to have satisfactory results in the coming year.

## OUTLOOK

In 2002, the uncertain economic global environment continued. Global equity and credit markets were volatile, the Hong Kong economy recorded another year of deflation pressure and interest rates remained at low levels. Despite the challenging environment, the Group's operations remained competitive and reported solid recurring EBIT and growth, benefiting particularly from acquisitions overseas in the ports and retailing divisions in 2001 and 2002.

After completing a number of major acquisitions over the last two years, in 2003 the Group will focus on growing and expanding its existing operations cautiously in Hong Kong, Mainland China and overseas and building its start-up 3G businesses in Europe, Hong Kong and Australia. The technology, networks, handsets, content and business infrastructure required for 3G operations have all been successfully developed and **3** will be in business in all our markets this year.

The Group's cash and liquid investments amounted to HK$130,267 million at 31 December 2002 and cashflow from the existing core businesses remained strong (EBITDA of HK$33,273 million; 2001: HK$33,027 million). Cash and liquid investments include the Group's shareholding in Vodafone Group held at 31 December 2002 marked to the market value of £1.13 per share, in the amount of HK$20,118 million and in Deutsche Telekom, also marked to its 31 December 2002 market value of Euro 12.25 per share, in the amount of HK$11,698 million. The Group's consolidated total debt at 31 December 2002 was HK$180,496 million, and after deducting cash and liquid investments, the Group's net debt position was HK$50,229 million, resulting in a conservative overall net debt to net capital ratio of approximately 16%. The Group will continue to benefit from the steady and growing cashflow and low borrowing levels of its existing core businesses as it builds its 3G businesses.

The Group has benefited from its geographic diversity, has gained valuable competitive experience with operations in 41 countries and is in a strong financial position. I am confident that all of our existing core businesses will continue to perform well and will provide substantial recurring contributions; and that, in addition, the start-up 3G businesses, which have attracted much attention in the market, will be able to demonstrate clearly in a year's time, their promising prospects and their potential to contribute significantly to the Group's growth and create long term value for our shareholders.

I would like to thank the Board of Directors and all the Group's employees around the world for their hard work, support and dedication.

Li Ka-shing
Chairman
Hong Kong, 20 March 2003.

# Hutchison Whampoa Limited
## Summary of Results
**for the year ended 31 December 2002**

| | Note | **2002 HK$ millions** | As restated 2001 HK$ millions | Percentage change | |
|---|---|---|---|---|---|
| **Turnover** | | | | | |
| Company and subsidiary companies | | **75,235** | 61,460 | + | 22% |
| Share of associated companies and jointly controlled entities | | **35,894** | 27,578 | + | 30% |
| | 1 | **111,129** | 89,038 | + | 25% |
| Company and subsidiary companies | | | | | |
| Turnover | | **75,235** | 61,460 | + | 22% |
| Cost of inventories sold | | **27,521** | 23,274 | - | 18% |
| Staff costs | | **11,761** | 8,875 | - | 33% |
| Depreciation and amortisation | | **5,478** | 3,827 | - | 43% |
| Other operating expenses | | **14,244** | 10,902 | - | 31% |
| | | **16,231** | 14,582 | + | 11% |
| Share of profits less losses of associated companies | | **6,344** | 5,650 | + | 12% |
| Share of profits less losses of jointly controlled entities | | **1,872** | 1,477 | + | 27% |
| **Earnings before interest and other finance costs and taxation** | 1 | **24,447** | 21,709 | + | 13% |
| Interest and other finance costs, including share of associated companies and jointly controlled entities | 2 | **7,093** | 8,767 | + | 19% |
| **Profit before profit on disposal of investments less provisions** | | **17,354** | 12,942 | + | 34% |
| Profit on disposal of investments less provisions | 3 | **1,524** | 3,124 | - | 51% |
| **Profit before taxation** | | **18,878** | 16,066 | + | 18% |
| Taxation | 4 | **2,724** | 2,276 | - | 20% |
| **Profit after taxation** | | **16,154** | 13,790 | + | 17% |
| Minority interests | | **1,866** | 1,810 | - | 3% |
| **Profit attributable to shareholders** | 5 | **14,288** | 11,980 | + | 19% |
| **Dividends** | | | | | |
| Interim dividend | | **2,174** | 2,174 | | |
| Final dividend | | **5,201** | 5,201 | | |
| | | **7,375** | 7,375 | | |
| **Earnings per share** | 6 | **HK$ 3.35** | HK$ 2.81 | + | 19% |
| **Dividends per share** | | | | | |
| Interim dividend | | **HK$ 0.51** | HK$ 0.51 | | |
| Final dividend | | **HK$ 1.22** | HK$ 1.22 | | |
| | | **HK$ 1.73** | HK$ 1.73 | | |

**Note**

## 1 Segment information

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

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Telecommunications is HK$48 million (2001 - HK$126 million), Property and hotels is HK$467 million (2001 - HK$468 million), Retail and manufacturing is HK$79 million (2001 - HK$96 million) and Finance and investments is HK$240 million (2001 - HK$209 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 | | Percentage change |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | | |
| Ports and related services | **18,156** | **2,416** | **20,572** | 12,641 | 2,864 | 15,505 | + | 33% |
| Telecommunications - 3G | **-** | **-** | **-** | - | - | - | | n/a |
| Telecommunications - others | **10,021** | **3,346** | **13,367** | 8,743 | 2,725 | 11,468 | + | 17% |
| Property and hotels | **3,802** | **7,907** | **11,709** | 3,941 | 1,575 | 5,516 | + | 112% |
| Retail and manufacturing | **36,600** | **2,871** | **39,471** | 27,208 | 2,335 | 29,543 | + | 34% |
| Cheung Kong Infrastructure | **2,707** | **7,919** | **10,626** | 4,050 | 6,029 | 10,079 | + | 5% |
| Husky Energy | **-** | **11,198** | **11,198** | - | 11,801 | 11,801 | - | 5% |
| Finance and investments | **3,949** | **237** | **4,186** | 4,877 | 249 | 5,126 | - | 18% |
| | **75,235** | **35,894** | **111,129** | 61,460 | 27,578 | 89,038 | + | 25% |

| | 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 | | |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | | |
| Ports and related services | **6,001** | **794** | **6,795** | 5,006 | 785 | 5,791 | + | 17% |
| Telecommunications - 3G | **-** | **-** | **-** | - | - | - | | n/a |
| Telecommunications - others | **563** | **255** | **818** | 804 | (85) | 719 | + | 14% |
| Property and hotels | **2,017** | **553** | **2,570** | 1,595 | 122 | 1,717 | + | 50% |
| Retail and manufacturing | **758** | **273** | **1,031** | 473 | 64 | 537 | + | 92% |
| Cheung Kong Infrastructure | **813** | **4,177** | **4,990** | 355 | 4,234 | 4,589 | + | 9% |
| Husky Energy | **-** | **2,084** | **2,084** | 85 | 1,814 | 1,899 | + | 10% |
| Finance and investments | **6,079** | **80** | **6,159** | 6,264 | 193 | 6,457 | - | 5% |
| | **16,231** | **8,216** | **24,447** | 14,582 | 7,127 | 21,709 | + | 13% |

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) which compensated the pre-operating expenses of these businesses.

### Geographical segment

| | Turnover from external customers | | | | | |
|---|---|---|---|---|---|---|
| | **Company and Subsidiaries** | **Associates and JCE** | **2002 Total** | Company and Subsidiaries | Associates and JCE | 2001 Total |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions |
| Hong Kong | **33,618** | **14,419** | **48,037** | 34,020 | 7,495 | 41,515 |
| Mainland China | **7,098** | **5,518** | **12,616** | 5,656 | 4,703 | 10,359 |
| Asia and Australia | **12,228** | **4,290** | **16,518** | 10,137 | 2,305 | 12,442 |
| Europe | **15,253** | **354** | **15,607** | 5,620 | 1,051 | 6,671 |
| Americas and others | **7,038** | **11,313** | **18,351** | 6,027 | 12,024 | 18,051 |
| | **75,235** | **35,894** | **111,129** | 61,460 | 27,578 | 89,038 |

| | 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 |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions |
| Hong Kong | **5,024** | **3,939** | **8,963** | 6,376 | 3,505 | 9,881 |
| Mainland China | **1,947** | **1,431** | **3,378** | 958 | 1,037 | 1,995 |
| Asia and Australia | **670** | **766** | **1,436** | 914 | 709 | 1,623 |
| Europe | **2,654** | **(15)** | **2,639** | 990 | 48 | 1,038 |
| Americas and others | **5,936** | **2,095** | **8,031** | 5,344 | 1,828 | 7,172 |
| | **16,231** | **8,216** | **24,447** | 14,582 | 7,127 | 21,709 |

## 2 Interest and other finance costs

| | 2002 | 2001 |
|---|---|---|
| | **HK$ millions** | HK$ millions |
| Company and subsidiary companies | **6,460** | 7,721 |
| Less: interest capitalised | **(1,198)** | (769) |
| | **5,262** | 6,952 |
| Share of associated companies | **1,233** | 1,250 |
| Share of jointly controlled entities | **598** | 565 |
| | **7,093** | 8,767 |

## 3 Profit on disposal of investments less provisions

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

The 2001 profit on disposal of investments comprises of a profit of HK$30,000 million arising from the merger of VoiceStream Wireless Corporation and Deutsche Telekom AG ("Deutsche Telekom"), the profit of HK$4,393 million on disposal of investments pursuant to forward sales contracts for approximately 695 million shares of Vodafone Group Plc 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, less a provision of HK$29,769 million for the potential effect of share price and exchange rate fluctuations on overseas investments and a provision of HK$1,500 million for loss on property development projects attributable to jointly controlled entities.

## 4 Taxation

| | Current taxation | Deferred taxation | 2002 Total | 2001 Total |
|---|---|---|---|---|
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions |
| *Hong Kong* | | | | |
| Subsidiary companies | **492** | **17** | **509** | 531 |
| Associated companies | **393** | **2** | **395** | 314 |
| Jointly controlled entities | **113** | **5** | **118** | 54 |
| *Overseas* | | | | |
| Subsidiary companies | **752** | **58** | **810** | 529 |
| Associated companies | **168** | **629** | **797** | 773 |
| Jointly controlled entities | **97** | **(2)** | **95** | 75 |
| | **2,015** | **709** | **2,724** | 2,276 |

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

5 Included in profit attributable to shareholders is a surplus of HK$8 million (2001 - HK$33,814 million) transferred from investment revaluation reserve upon disposal of the relevant investments.

6 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) and on 4,263,370,780 shares in issue during 2002 (2001 - 4,263,370,780 shares).

7 The Group's results for the year ended 31 December 2001 have been restated to reflect the Group's share of a prior year adjustment of an associated company, Husky Energy Inc., which has adopted the recommendations of the Canadian Institute of Chartered Accountants on Foreign Currency Translation whereby foreign exchange gains and losses on long-term monetary items are no longer deferred and amortised but are reflected in the profit and loss account in the period they are incurred. As a result the profit attributable to shareholders for the year ended 31 December 2001 was reduced by HK$108 million.

8 The accounting policies and methods of computation used in the preparation of the summary of results are consistent with those used in the annual accounts for the year ended 31 December 2001, except the Group has adopted the new SSAP 33 "Discontinuing operations" and SSAP 34 "Employee benefits" which became effective on 1 January 2002. The adoption of these new SSAPs had no material effects on the Group's results.

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

## GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholder funds increased 4% to HK$226,176 million at 31 December 2002 compared to HK$218,077 million at the end of last year.

Net debt of the Group was HK$50,229 million (2001 – HK$1,656 million and the net debt to net capital ratio was 16% (2001 – 0.7%). This ratio is a combination of the net debt to net capital ratio of the existing operations of approximately 13% and of the 3G start-up operations of approximately 21%. The Group will continue to benefit from the steady and growing cashflow and also the low net debt levels of its existing core businesses during the start-up phase of its 3G businesses. EBITDA amounted to HK$33,273 million (2001 – HK$33,027 million) and funds from operations ("FFO"), before capital expenditure and changes in working capital, amounted to HK$20,836 million (2001 – HK$16,571 million). EBITDA and FFO, after adjusting for interest income, covered net interest expense 13.6 and 7.8 times respectively (2001 – 11.1 times and 4.5 times).

At 31 December 2002, the Group's cash, portfolio of managed debt security funds and other liquid investments (including equity investments, marked to market value, in Vodafone Group of HK$20,118 million and Deutsche Telekom of HK$11,698 million) totalled HK$130,267 million (2001 - HK$145,336 million) of which 7% were denominated in HK dollars, 59% in US dollars, 17% in Pounds Sterling (mainly investment in Vodafone Group), 12% in Euros (mainly investment in Deutsche Telekom) and 5% in other currencies.

During the year, all the Group's forward sales contracts entered into in 2001 matured, completing the disposal of an aggregate of approximately 695 million shares of Vodafone Group and approximately 89 million shares of Deutsche Telekom. A total cash consideration of HK$27,196 million was received.

The shareholdings in Vodafone Group and Deutsche Telekom are accounted for as long term investments and are marked to market value at each period end. The change in market value, positive or negative, is credited or charged to the revaluation reserve on the balance sheet, unless a decline in value is judged to be a permanent diminution in value, in which case a charge is made to the profit and loss account. Considering the continuing volatility in the equity markets and the uncertain global economy, this decline in value of HK$3,105 million upon marking these investments to market value, is not currently considered a permanent diminution and therefore, in accordance with the Group's accounting policy, the reduction in value has been charged against the existing investment revaluation reserve in the balance sheet. The Group continues to monitor and, where appropriate, enter into hedging arrangements relative to these positions. Currently 40% of the Group's holdings in Vodafone Group are hedged at or above book carrying value.

The Group's total borrowings at 31 December 2002 were HK$180,496 million (2001 - HK$146,992 million) of which HK$26,110 million (2001 – HK$5,977 million) relates to the mainly non or limited recourse borrowings of the 3G UK and Italy operations.

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

The Group's borrowings at 31 December 2002 were denominated as to 23% in HK$, 42% in US$, 13% in £, 11% in Euro, 11% in others.

Subsequent to the year end, significant financing activities were as follows:

- In February 2003, issued ten year, fixed interest rate, US$1,500 million notes which will be used to repay a portion of exchangeable notes due in September, 2003;
- In March 2003, issued five year, floating interest rate, A$800 million notes to repay three Australia bank loans totalling A$796 million;
- In March 2003, the £3,252 million project financing facilities of Hutchison 3G UK were extended one year to mature in March 2005.

After considering the refinancing activity subsequent to the year, the Group's borrowings are denominated and repayable as follows:

| | HK$ | US$ | £ | Euro | Others | Total |
|---|---|---|---|---|---|---|
| Within 1 year | 3% | 7% | - | - | 3% | 13% |
| In year 2 | 2% | 12% | 1% | - | 2% | 17% |
| In year 3 | 7% | - | 9% | - | - | 16% |
| In year 4 | 6% | 1% | 1% | 2% | 2% | 12% |
| In year 5 | 3% | 4% | - | 3% | 1% | 11% |
| In years 6 to 10 | 2% | 7% | - | 1% | 2% | 12% |
| In years 11 to 20 | - | 8% | 2% | 5% | - | 15% |
| Beyond 20 years | - | 3% | - | - | 1% | 4% |
| | 23% | 42% | 13% | 11% | 11% | 100% |

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies.

As at 31 December 2002, approximately 47% of the Group's borrowings bear interest at floating rates and the remaining 53% are at fixed rates. The Group has entered into various interest rate agreements with major financial institutions to swap approximately HK$30,363 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$6,539 million principal amount of an infrastructure related, floating interest rate borrowing was swapped to a fixed interest rate borrowing. After taking into consideration these interest rate swaps, as at 31 December 2002, approximately 60% of the Group's borrowings bear interest at floating rates and the remaining 40% are at fixed rates.

At 31 December 2002, shares of Hutchison 3G UK and Hutchison 3G Italy owned by the Group were pledged as security for their respective project financing facilities. The assets of these two companies totalled HK$119,812 million (2001 – HK$56,792 million). In addition, HK$22,238 million (2001 – HK$14,988 million) of the Group's assets were pledged as security for bank and other loans of the Group. The Group's investment in the ordinary shares of Vodafone Group are not pledged or otherwise restricted pursuant to the covenants of the two notes described above which are exchangeable into Vodafone Group shares. Committed borrowing facilities available to Group companies, but not drawn at 31 December 2002, amounted to the equivalent of HK$58,573 million (2001 - HK$28,195 million), of which HK$55,748 million (2001 – HK$27,510 million) related to 3G operations.

The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$39,198 million (2001 - HK$14,293 million), of which HK$28,282 million (2001 – HK$7,532 million) related to 3G operations. The majority of capital expenditures for the 3G operations were primarily funded by mainly non or limited recourse project financing facilities. The Group's remaining capital expenditures were funded primarily from cash generated from operations, cash on hand and to the extent required, by borrowings.

**TREASURY POLICIES**

The Group's overall treasury and funding policies have remained the same as those described in the Annual Report for the year ended 31 December 2001. Except for hedging arrangements with respect to equity investments and currency and interest rate swaps described in the Group Capital Resources and Liquidity section, the Group has not entered into any material foreign exchange contracts, interest or currency swaps or other financial activities.

**CONTINGENT LIABILITIES**

At 31 December 2002, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$11,696 million (2001 - HK$11,226 million). At 31 December 2002, the Group had contingent liabilities in respect of guarantees related to the procurement of 3G handsets of HK$14,116 million (2001 – HK$8,722 million), procurement of 3G infrastructure of HK$2,036 million (2001 – HK$2,539 million), and other guarantees totalling HK$2,103 million (2001 – HK$1,158 million).

## EMPLOYEES

At 31 December 2002, the Company and its subsidiaries employed 117,843 people (2001 – 77,253 people) and the related employee costs for the full year, excluding Director's emoluments, totalled HK$15,100 million (2001 – HK$10,043 million). Including the Group's associated companies, at 31 December 2002 the Group employed 154,813 people of whom 29,871 are employed in Hong Kong. The Group's employment and remuneration policies remained the same as those described in the Annual Report for the year ended 31 December 2001. The Company does not have a share option scheme for the purchase of ordinary shares in the Company.

## PUBLICATION OF FURTHER INFORMATION

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Exchange") will be published on the Company's and the Exchange's websites in due course. The Group's consolidated financial statements have been audited by the Company's auditors, PricewaterhouseCoopers, and they have issued an unqualified opinion. The auditors' report from PricewaterhouseCoopers will be included in the Annual Report to Shareholders.