Hutchison Whampoa Limited

HUTCHISON WHAMPOA LIMITED

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

HIGHLIGHTS

	2003	2002	Changes
	HK$'million	HK$'million	
Profit attributable to shareholders	**14,378**	14,362	-
Profit attributable to shareholders (excluding exceptional profits and 3G start-up losses)	**15,153**	12,108	25%
Earnings per share	**HK$3.37**	HK$3.37	-
Final dividend per share	**HK$1.22**	HK$1.22	-
Total dividends per share	**HK$1.73**	HK$1.73	-

- Profit attributable to shareholders, excluding exceptional profits and 3G start-up losses, increased 25%
- All operating business divisions achieved EBIT growth, except start-up 3G operations
- Current 3G customers exceed 1,038,000 worldwide
- Cash and liquid investments totalled HK$185,542 million
- Net debt to net capital ratio of 23%

CHAIRMAN'S STATEMENT

The Group benefited from its diversification, reporting results in line with last year. Despite SARS, the war in Iraq and mixed economic conditions, the Group's established businesses reported healthy growth. In the UK, Italy and Australia, the Group began offering 3G services and in January this year began to offer these services in Hong Kong.

RESULTS

The Group's audited profit attributable to shareholders for the year amounted to HK$14,378 million, which is HK$16 million ahead of last year's results. Earnings per share amounted to HK$3.37 (2002 – HK$3.37). These results include a net profit on disposal of investments and provisions of HK$8,893 million, which primarily relate to profits on the disposal of the European water businesses and the remaining holdings in Vodafone Group and in Deutsche Telekom of HK$1,683 million and HK$2,627 million respectively, a release of provisions of HK$7,810 million, partially offset by a full write-off of the Group's HK$3,111 million investment in Global Crossing and other charges of HK$116 million. The Group achieved a profit ahead of last year despite the unforeseen write-off of the Global Crossing investment, reflecting the strong performance of the Group's established businesses. Excluding exceptional profits and 3G start-up losses in both years, profit attributable to shareholders increased 25%.

DIVIDEND

Your Directors will recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK$1.22 per share (2002 - HK$1.22) to Shareholders whose names appear on the Register of Members of the Company on 20 May 2004. The proposed final dividend, together with the interim dividend of HK$0.51 paid on 10 October 2003, gives a total dividend of HK$1.73 per share (2002 - HK$1.73). The Register of Members will be closed from 13 May 2004 to 20 May 2004, both days inclusive, and the proposed final dividend will be paid on 21 May 2004.

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 2 to the consolidated profit and loss account. Turnover for the year totalled HK$145,609 million, an increase of 31% over last year, mainly due to additional turnover contributed by the Kruidvat health and beauty retail group acquired in October 2002, higher commodity prices of Husky Energy, increased container throughput in the ports and related services division and revenue from the start-up 3G businesses. All of the Group's operating business divisions reported EBIT ahead of last year, except the start-up 3G operations. EBIT, excluding 3G start-up losses and exceptional profits was 21% better than last year.

Ports and related services

The ports and related services division reported growth in turnover to HK$23,129 million, a 12% increase over last year. EBIT increased a healthy 15% to HK$7,597 million due to a 16% increase in combined throughput to reach 41.5 million TEUs (twenty foot equivalent units). This division continues to provide a steady income stream to the Group, contributing

16% and 25% respectively to the Group's turnover and EBIT from its established businesses for the year. Results of the major port operations are as follows:

- Hong Kong and Yantian deepwater port operations reported combined throughput growth of 8% and EBIT growth of 13%.
- European operations reported combined throughput in line with last year while EBIT increased 11% mainly due to the improved results of Europe Container Terminals ("ECT") in Rotterdam.
- Operations in other Asian countries, the Middle East and Africa reported combined throughput 13% ahead of last year and EBIT increased 15%.
- The Group's combined operations in Shanghai, Waigaoqiao, Ningbo, Shantou, Xiamen and other Mainland ports reported strong growth with a 53% increase in throughput and a 53% increase in EBIT of which 17% of the increase was due to the acquisition of Shanghai Pudong International Container Terminals at Waigaoqiao in March 2003.
- Operations in the Americas and the Caribbean reported combined throughput 16% ahead of last year and EBIT increased 17%.

This division continues to grow by improving operating efficiency, maximising utilisation of its existing facilities and, on a selective basis, pursuing growth opportunities through strategic acquisitions. In July, the first berth at Container Terminal 9 in Kwai Chung started operation. Development of its second berth will be completed in late 2004 and commence operation in early 2005. Also in July, the Group acquired a 51% interest in a joint venture company which holds a concession to operate in the Port of Lazaro Cardenas on the Pacific Coast of Mexico. In the fourth quarter, the construction of two new berths at Phase III of Yantian port in the Mainland was completed. An additional two berths are planned to be completed at Yantian in late 2004. During the year, the Group increased its stake in ECT in Rotterdam to 98%.

Telecommunications – 2G and other operations

The Group's telecommunications - 2G and other operations reported turnover of HK$15,471 million, a 16% increase over last year, and EBIT of HK$1,195 million, a 23% increase over last year. This division represents 11% and 4% respectively of the Group's turnover and EBIT of established businesses for the year. These results reflect the improved results from the 2G operations in India, Israel and Australia, the continued customer growth for Hutchison Global Communications' ("HGC") broadband, data and voice services, and a gain of HK$239 million arising from Tom Group's placement of its shares during the year, partially offset by a one-time HK$225 million write-off of international bandwidth capacity by HGC as a result of Asia Global Crossing's bankruptcy. In addition, last year's results included a HK$758 million dividend from Deutsche Telekom, which paid no dividends during the year. Excluding these non-recurring items, EBIT increased 460%. The Group currently has over 10 million 2G customers worldwide, an increase of 64% from the beginning of the year.

In March 2004, Vanda Systems & Communications ("Vanda"), an information technology solutions company listed on The Stock Exchange of Hong Kong purchased 100% of HGC and 100% of PowerCom Network Hong Kong ("PowerCom"), an innovative provider of broadband services that can be accessed through power sockets. The merger of the HGC, Vanda and PowerCom businesses, renamed Hutchison Global Communications Holdings ("HGC Holdings") has created an integrated telecommunications and information technology company offering a wide range of innovative and advanced information technology, systems integration and telecommunications services. The total consideration received by the Group on disposal of HGC was HK$7,100 million, which was satisfied by the issuance of new HGC Holdings shares valued at HK$3,900 million and convertible notes valued at HK$3,200 million. Combined with the Group's original 37% interest in Vanda, the Group's stake in HGC Holdings increased to approximately 79% of the enlarged share capital base. Subsequently, the Group sold a portion of its new HGC Holdings shares by way of a share placement, and as a result, the Group's stake in HGC Holdings decreased to approximately 53%. The profit on this subsequent disposal of approximately HK$1,300 million will be reported in the Group's first half results for 2004.

Telecommunications – 3G

The Group began 3G operations in the UK, Italy and Australia during the year and with the arrival of new handset models in January this year, 3G services were launched in Hong Kong. 3G operations reported total turnover of HK$2,023 million, and a net loss after taxation of HK$9,668 million, before a release of provisions of HK$7,810 million, after which the net loss totalled HK$1,858 million. Summer promotional offerings in the UK, Italy and Australia were well received and all of the first generation of 3G handsets delivered by the Group's suppliers were sold in a few months. Although committed to develop, manufacture and deliver significantly enhanced second generation of 3G handsets for sale during the third quarter, suppliers only made limited deliveries, seriously impairing the Group's ability to increase its customer base in the fourth quarter in 2003. This issue has been resolved and early this year, the Group's suppliers commenced delivery of new handset models in commercial quantities and as a result of which sales have progressed very well. Currently, the Group has over 1,038,000 customers worldwide with approximately 361,000 in the UK, 453,000 in Italy and 36,500 in Hong Kong.

The Group continued to rollout rapidly and improve the quality of the network infrastructure in all 3G operations. At the end of 2003, approximately 65% of the capital expenditure requirements for 3G operations worldwide had been incurred (over and above licence costs, which were 100% funded at the outset of these projects). The technology, network infrastructure and distribution channels are all firmly developed, and the Group is now focusing on sales and operations in order to enhance **3**'s innovative services and establish its customer base. The number of 3G subscribers is now expected to grow satisfactorily.

During the year, the Group and KPN Mobile ("KPN") settled their disputes and the Group entered into an agreement providing for the purchase of KPN's 15% interest in 3G UK which KPN acquired from the Group for £900 million in 2000. The Group is paying a total of £90 million for this interest, of which £60 million has been paid. Upon payment of the last of three equal amounts, the Group's interest in 3G UK will increase to 80% in 2007.

Property and hotels

The property and hotels division turnover totalled HK$11,224 million, 4% below last year but EBIT of HK$3,121 million was 21% above last year, mainly due to increased profit from the sale of development projects which offset the adverse effect of the SARS outbreak on the hotel businesses in Hong Kong and the Mainland. This division contributed 8% and 10% respectively to the Group's turnover and EBIT from its established businesses for the year. The Group's rental properties in Hong Kong account for the majority of the division's EBIT and continued to provide strong recurrent cash income to the Group, albeit decreased 3% compared to last year. The Group's portfolio of 15.7 million sq ft of rental property continues to be substantially fully let. Development profits, which accounted for 40% of EBIT, were realised from the completion and sale of residential units of Rambler Crest in Hong Kong, of The Summit and Le Parc in Mainland China and of Albion Riverside in the UK. The Group has several ongoing development projects in Hong Kong, the Mainland and overseas in London and Singapore that are progressing satisfactorily. The Group's share of the landbank in various joint venture projects is being developed into approximately 16.1 million sq ft of mainly residential properties in phases to 2015. The Group is also seeking to selectively acquire new landbank for development. The hotel business showed signs of recovery in the latter half of the year after SARS subsided and with the lifting of travel restrictions for individuals from the Mainland. The continuation of this trend should benefit our hotel business in 2004.

Retail and manufacturing

Turnover for the retail and manufacturing division totalled HK$63,086 million, a 60% increase, mainly due to the turnover contributed from the Kruidvat health and beauty retail group acquired in October 2002, and also from the existing health and beauty operations in Asia and the UK. EBIT of HK$2,305 million was 124% ahead of last year (35% above last year on an annualised basis), mainly due to additional profits contributed by the Kruidvat group, including Superdrug in the UK, and also improved results from the Group's joint venture with Procter & Gamble in the Mainland. This division contributed 44% and 8% respectively to the Group's turnover and EBIT from its established businesses for the year. The Group's retail operations currently have over 3,400 retail outlets in 12 countries and these operations will continue to expand mainly by adding new stores to its existing strong retail chains in Europe and Asia.

Hutchison Harbour Ring, a listed subsidiary, announced turnover, including its share of associated companies' turnover, of HK$2,208 million and net profit attributable to shareholders of HK$128 million for the year, an increase of 18% and 30% respectively.

Cheung Kong Infrastructure

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover of HK$3,454 million and profit attributable to shareholders of HK$3,349 million, 1% above last year's profit. CKI contributed 8% and 18% respectively to the Group's turnover and EBIT from its established businesses for the year.

Husky Energy

Husky Energy, a listed associated company, announced turnover of C$7,658 million and profit attributable to shareholders of C$1,321 million, 64% above last year. Husky Energy contributed 10% and 11% respectively to the Group's turnover and EBIT from its established businesses for the year. In light of its strong financial performance in the first half, Husky Energy declared a special cash dividend of C$1 per share, from which the Group received C$147 million in October.

Finance and Investments

The Group's EBIT from its finance and investments operations, which mainly represents returns earned on the Group's substantial holdings of cash and liquid investments, amounted to HK$6,250 million, in line with last year. These operations contributed 20% of the Group's EBIT from its established businesses. The Group's consolidated cash and liquid investments at 31 December 2003 amounted to HK$185,542 million and consolidated total debt totalled HK$273,144 million, resulting in a net debt position of HK$87,602 million and an overall net debt to net capital ratio of approximately 23%. In 2003, the Group issued long-term maturity bonds primarily for refinancing and mainly in the US dollar market, totalling US$10,137 million (HK$79,069 million). This exercise reduces the Group's dependence on bank loans and extends its debt maturity profile to better match the life of its long-term assets. Currently, over 65% of the Group's debt matures in five years and beyond.

OUTLOOK

Although 2003 was a difficult year due to SARS, the war in Iraq and an increasingly competitive world environment, all of the Group's established businesses performed well, and the Group enjoyed strong cashflows from its diversified operations. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") from the Group's established businesses grew 30% to HK$45,812 million (2002 – HK$35,110 million). Currently, the Group has operations in 39 countries with over 170,000 employees. The Group will continue to develop and grow its core businesses while maintaining its healthy financial position.

With the introduction of a number of economic revival policies by the Central Government, economic recovery is now underway in Hong Kong. Of course, our businesses are also sensitive to global economic trends, and in particular the US and European economies, as well as increasing global competition. Although the 3G operations experienced a lack of handset supply in the second half of the year which prevented a full start-up, handsets are now being delivered in commercial quantities and new handset suppliers are entering the market. With good quality networks in place and an ample supply of handsets, we are confident that in 2004 the 3G operations will grow into solid businesses.

Despite the challenges ahead of us, I am fully confident that with our healthy financial position, solid business foundation, efficient and loyal management and staff, all of our existing core businesses will continue to provide substantial recurring contributions in 2004 and our new 3G operations will demonstrate their potential to create long-term shareholder value.

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, 18 March 2004.

Hutchison Whampoa Limited
Summary of Results
for the year ended 31 December 2003

	Note	**2003 HK$ millions**	As restated 2002 HK$ millions		Percentage change
Turnover					
Company and subsidiary companies		**104,921**	75,235	+	39%
Share of associated companies and jointly controlled entities		**40,688**	35,894	+	13%
	2	**145,609**	111,129	+	31%
Company and subsidiary companies					
Turnover		**104,921**	75,235	+	39%
Cost of inventories sold		**45,295**	27,521	-	65%
Staff costs		**16,856**	11,761	-	43%
Depreciation and amortisation		**12,619**	5,636	-	124%
Other operating expenses		**30,626**	16,126	-	90%
Profit on disposal of investments and provisions	2	**8,893**	3,395	+	162%
		8,418	17,586	-	52%
Share of profits less losses of associated companies		**8,914**	6,337	+	41%
Share of profits less losses of jointly controlled entities		**2,786**	1,872	+	49%
Earnings before interest and taxation	2	**20,118**	25,795	-	22%
Interest and other finance costs, including share of associated companies and jointly controlled entities	3	**9,568**	7,093	-	35%
Profit before taxation		**10,550**	18,702	-	44%
Current taxation charge	4	**2,758**	2,015	-	37%
Deferred taxation charge (credit)	4	**(5,250)**	318	+	1,751%
Profit after taxation		**13,042**	16,369	-	20%
Minority interests		**(1,336)**	2,007	+	167%
Profit attributable to shareholders	5	**14,378**	14,362		-
Dividends					
Interim dividend		**2,174**	2,174		
Final dividend		**5,201**	5,201		
		7,375	7,375		
Earnings per share	6	**HK$ 3.37**	HK$ 3.37		
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		

Notes

1 Accounting Policies

The Group has adopted, with retrospective effect, the revised Statement of Standard Accounting Practice 12 "Income taxes" to account for deferred taxation, which became effective on 1 January 2003. This change in accounting policy has resulted in an increase in the profit attributable to shareholders for the year ended 31 December 2003 of HK$4,487 million (2002 - HK$74 million). The opening reserves at 1 January 2003 and 2002 have been reduced by HK$4,031 million and HK$3,923 million respectively. The effect of this change in accounting policy on the balance sheet as at 31 December 2002 is set out in note 4.

Certain comparative figures have been reclassified to conform with the current year'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 - 2G and others is HK$93 million (2002 - HK$48 million), Property and hotels is HK$343 million (2002 - HK$467 million) and Retail and manufacturing is HK$76 million (2002 - HK$79 million) and Finance and investments is nil (2002 - HK$240 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**	**2003 Total**	Company and Subsidiaries	Associates and JCE	2002 Total		
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions		
ESTABLISHED BUSINESSES								
Ports and related services	**20,282**	**2,847**	**23,129**	18,156	2,416	20,572	+	12%
Telecommunications - 2G and others (note a)	**11,612**	**3,859**	**15,471**	10,021	3,346	13,367	+	16%
Property and hotels	**5,637**	**5,587**	**11,224**	3,802	7,907	11,709	-	4%
Retail and manufacturing	**58,878**	**4,208**	**63,086**	36,600	2,871	39,471	+	60%
Cheung Kong Infrastructure	**2,647**	**8,920**	**11,567**	2,707	7,919	10,626	+	9%
Husky Energy	**-**	**14,886**	**14,886**	-	11,198	11,198	+	33%
Finance and investments	**3,842**	**381**	**4,223**	3,949	237	4,186	+	1%
Subtotal - established businesses	**102,898**	**40,688**	**143,586**	75,235	35,894	111,129	+	29%
TELECOMMUNICATIONS - 3G (note c)	**2,023**	**-**	**2,023**	-	-	-		
	104,921	**40,688**	**145,609**	75,235	35,894	111,129	+	31%

	Earnings before interest and taxation ("EBIT")							
	Company and Subsidiaries	**Associates and JCE**	**2003 Total**	Company and Subsidiaries	Associates and JCE	2002 Total		
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions		
ESTABLISHED BUSINESSES								
Ports and related services	**6,585**	**1,012**	**7,597**	5,839	787	6,626	+	15%
Telecommunications - 2G and others (notes a & b)	**590**	**605**	**1,195**	714	255	969	+	23%
Property and hotels	**1,973**	**1,148**	**3,121**	2,017	553	2,570	+	21%
Retail and manufacturing	**1,668**	**637**	**2,305**	758	273	1,031	+	124%
Cheung Kong Infrastructure	**1,031**	**4,574**	**5,605**	813	4,177	4,990	+	12%
Husky Energy	**-**	**3,462**	**3,462**	-	2,084	2,084	+	66%
Finance and investments	**5,988**	**262**	**6,250**	6,120	80	6,200	+	1%
Subtotal - established businesses	**17,835**	**11,700**	**29,535**	16,261	8,209	24,470	+	21%
TELECOMMUNICATIONS - 3G (note c)								
EBIT before amortisation and depreciation	**(11,939)**	**-**	**(11,939)**	(1,839)	-	(1,839)		
Amortisation and depreciation	**(6,371)**	**-**	**(6,371)**	(231)	-	(231)		
Subtotal - telecommunications - 3G	**(18,310)**	**-**	**(18,310)**	(2,070)	-	(2,070)		
PROFIT ON DISPOSAL OF INVESTMENTS AND PROVISIONS (note d)	**8,893**	**-**	**8,893**	3,395	-	3,395		
	8,418	**11,700**	**20,118**	17,586	8,209	25,795	-	22%

2 Segment information (continued)

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 in 2003 represents a profit of HK$1,683 million on the disposal of the European water businesses and a profit of HK$2,627 million from the disposal of equity investments in Vodafone and Deutsche Telekom, release of provisions of HK$7,810 million, less a full write-off of the HK$3,111 million investment in Global Crossing and other net non-recurring charge of HK$116 million. The comparative amounts in 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$1,871 million.

Geographical segment

Turnover from external customers	**Company and Subsidiaries**	**Associates and JCE**	**2003 Total**	Company and Subsidiaries	Associates and JCE	2002 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
Hong Kong	**35,628**	**9,599**	**45,227**	33,618	14,419	48,037
Mainland China	**8,407**	**7,876**	**16,283**	7,098	5,518	12,616
Asia and Australia	**15,944**	**6,014**	**21,958**	12,228	4,290	16,518
Europe	**38,146**	**2,164**	**40,310**	15,253	354	15,607
Americas and others	**6,796**	**15,035**	**21,831**	7,038	11,313	18,351
	104,921	**40,688**	**145,609**	75,235	35,894	111,129

Earnings before interest and taxation	**Company and Subsidiaries**	**Associates and JCE**	**2003 Total**	Company and Subsidiaries	Associates and JCE	2002 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
Hong Kong	**6,043**	**3,744**	**9,787**	4,992	3,939	8,931
Mainland China	**2,230**	**2,685**	**4,915**	1,947	1,431	3,378
Asia and Australia	**337**	**1,485**	**1,822**	291	759	1,050
Europe	**(12,525)**	**268**	**(12,257)**	1,070	(15)	1,055
Americas and others	**3,440**	**3,518**	**6,958**	5,891	2,095	7,986
	(475)	**11,700**	**11,225**	14,191	8,209	22,400
Profit on disposal of investments and provisions (note d above)	**8,893**	**-**	**8,893**	3,395	-	3,395
	8,418	**11,700**	**20,118**	17,586	8,209	25,795

3 Interest and other finance costs

	2003	2002
	HK$ millions	HK$ millions
Company and subsidiary companies	**10,065**	6,460
Less: interest capitalised	**(2,350)**	(1,198)
	7,715	5,262
Share of associated companies	**1,407**	1,233
Share of jointly controlled entities	**446**	598
	9,568	7,093

4 **Taxation**	**Current taxation**	**Deferred taxation**	**2003 Total**	As restated 2002 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions
Hong Kong				
Subsidiary companies	**602**	**146**	**748**	513
Associated companies	**430**	**241**	**671**	473
Jointly controlled entities	**66**	**26**	**92**	125
Outside Hong Kong				
Subsidiary companies	**997**	**(6,085)**	**(5,088)**	291
Associated companies	**365**	**268**	**633**	806
Jointly controlled entities	**298**	**154**	**452**	125
	2,758	**(5,250)**	**(2,492)**	2,333

Hong Kong profits tax has been provided for at the rate of 17.5% (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. Taxation outside Hong Kong 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 Included in profit attributable to shareholders is a deficit of HK$3,206 million (2002 - surplus of HK$8 million) transferred from investment revaluation reserves upon disposal of the relevant investments.

6 The calculation of earnings per share is based on profit attributable to shareholders of HK$14,378 million (2002 - HK$14,362 million, as restated) and on 4,263,370,780 shares in issue during 2003 (2002 - 4,263,370,780 shares).

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholders' funds increased 11% to HK$247,515 million at 31 December 2003 compared to HK$222,145 million at the end of last year.

Net debt of the Group was HK$87,602 million (2002 – HK$50,229 million) and the net debt to net capital ratio was 23% (2002 – 16%). This ratio is a combination of the net debt to net capital ratio of the established businesses of approximately 11% (2002 – 14%) and of the 3G start-up operations of approximately 35% (2002 – 19%). 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. Consolidated EBITDA amounted to HK$33,873 million (2002 – HK$33,273 million) and funds from operations ("FFO"), before capital expenditure and changes in working capital, amounted to HK$17,221 million (2002 – HK$20,836 million). EBITDA and FFO from the Group's established businesses, excluding the start-up 3G operations increased 30% to HK$45,812 million (2002 - HK$35,110 million) and HK$30,959 million, an increase of 35% (2002 – HK$22,939 million) respectively. EBITDA and FFO from established businesses excluding the start-up 3G operations, after adjusting for interest income, covered the related net interest expense 17.3 and 11.1 times respectively. Including start-up 3G losses and interest expense in this calculation, these coverage ratios are 5.4 and 2.3 times respectively (2002 – 13.6 times and 7.8 times).

At 31 December 2003, the Group's cash, liquid funds and other listed investments totalled HK$185,542 million (2002 - HK$130,267 million) of which 7% were denominated in HK dollars, 76% in US dollars, 6% in Pounds Sterling, 9% in Euros and 2% in other currencies. During the year the Group's remaining holdings of Vodafone Group and Deutsche Telekom were disposed for a total cash consideration of HK$37,548 million and a total profit on disposal of HK$2,627 million was recorded.

The Group's total borrowings at 31 December 2003 were HK$273,144 million (2002 - HK$180,496 million) of which HK$53,235 million (2002 – HK$24,691 million) relates to the borrowings of the 3G UK and Italy operations. Total borrowings include US$2,657 million principal amount of 2.00% exchangeable notes which were repaid on the maturity date in January 2004. The significant financing activities during the year were as follows:

- In February 2003, issued ten year, fixed interest rate, US$1,500 million notes 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 of the Australian telecommunication operations' 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;
- In March and May 2003, issued two ten year fixed interest rate notes of US$1,000 million each, to repay a portion of the exchangeable notes due in September 2003 and early 2004;

- In July 2003, issued ten year fixed interest rate, €1,000 million notes to repay a portion of the exchangeable notes due in September 2003 and early 2004;
- In July 2003, borrowed a five year floating interest rate, HK$3,800 million bank loan to partially refinance a floating interest rate, HK$4,400 million syndicated bank loan; and
- In November 2003, issued fixed rate notes of an aggregate principle amount of US$5,000 million, which included seven year notes of US$1,500 million, ten year notes of US$2,000 million and 30 year notes of US$1,500 million, to refinance certain indebtedness falling due in the near term which would provide an economic benefit upon early repayment.

The Group's borrowings at 31 December 2003 were denominated as to 16% in HK dollars, 46% in US dollars, 12% in Pound Sterling, 16% in Euros and 10% in others currencies.

The Group's borrowings at 31 December 2003 are denominated and repayable as follows:

	HK$	US$	£	€	Others	Total
Within 1 year	2%	8%	-	-	3%	13%
In year 2	3%	-	8%	-	-	11%
In year 3	4%	-	1%	2%	2%	9%
In year 4	2%	3%	-	2%	1%	8%
In year 5	5%	-	-	1%	3%	9%
In years 6 to 10	-	22%	1%	11%	-	34%
In years 11 to 20	-	7%	2%	-	-	9%
Beyond 20 years	-	6%	-	-	1%	7%
	16%	46%	12%	16%	10%	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 2003, approximately 49% of the Group's borrowings bear interest at floating rates and the remaining 51% are at fixed rates. The Group has entered into various interest rate agreements with major financial institutions to swap approximately HK$106,350 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$6,062 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 2003, approximately 86% of the Group's borrowings bear interest at floating rates and the remaining 14% are at fixed rates.

At 31 December 2003, shares of Hutchison 3G UK and Hutchison 3G Italy owned by the Group were pledged as security for their respective project financing facilities. The assets of these two companies totalled HK$165,732 million (2002 – HK$119,812 million). In addition, HK$17,628 million (2002 – HK$22,238 million) of the Group's assets were pledged as security for bank and other loans of the Group. Committed borrowing facilities available to Group companies, but not drawn at 31 December 2003, amounted to the equivalent of HK$39,997 million (2002 - HK$58,573 million), of which HK$38,730 million (2002 – HK$55,748 million) related to 3G operations.

The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$36,393 million (2002 - HK$38,543 million), of which HK$24,557 million (2002 – HK$29,842 million) related to 3G operations. The capital expenditures for the 3G operations were primarily funded by project financing facilities and also shareholder equity contributions. 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 focus on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding of the Group and its companies. For synergies, efficiency and control, the Group operates a central cash management system for all its unlisted subsidiaries in Hong Kong. Except for listed and certain overseas entities, the Group generally obtains long term financing at the Group 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, the Group generally endeavours to hedge its foreign currency positions with the appropriate level of borrowings in those same currencies. For transactions directly related to the underlying businesses, forward foreign exchange contracts and interest and currency swaps are utilised when suitable opportunities arise and, when considered appropriate, to hedge against major non-HK and non-US dollar currency exposures as well as assist in managing the Group's interest rate exposures.

CONTINGENT LIABILITIES

At 31 December 2003, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$13,193 million (2002 - HK$11,696 million). At 31 December 2003, the Group had contingent liabilities in respect of guarantees related to the procurement of 3G handsets of HK$11,592 million (2002 – HK$14,116 million), procurement of 3G infrastructure of HK$2,425 million (2002 – HK$2,036 million), and other guarantees totalling HK$5,005 million (2002 – HK$2,103 million).

EMPLOYEE RELATIONS

At 31 December 2003, the Company and its subsidiaries employed 126,250 people (2002 – 117,843 people) and the related employee costs for the year, excluding Director's emoluments, totalled HK$20,011 million (2002 – HK$15,100 million). Including the Group's associated companies, at 31 December 2003 the Group employed 172,653 people of whom 29,704 are employed in Hong Kong. All of the Group's subsidiary companies are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Company does not have a share option scheme for the purchase of ordinary shares in the Company. A wide range of benefits including medical coverage, provident funds and retirement plans and long service awards are also provided to employees. In addition, training and development programmes are provided on an on-going basis throughout the Group. Many social, sporting and recreational activities were arranged during the year for employees on a Group-wide basis. Further, Group employees also participated in community oriented events.

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.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 20 May 2004. Notice of the Annual General Meeting will be published and issued to Shareholders in due course.