
UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004**HIGHLIGHTS**

	2004	2003	Changes
Profit attributable to shareholders	HK\$49 million	HK\$36 million	35%
Earnings per share	0.80 cents	0.74 cents	8%

- Profit attributable to shareholders increased 35% to HK\$49 million
- Operating profit improved 49% to reach HK\$90 million, after excluding exceptional gain from Universal Service Contribution refund in 2003
- Turnover grew 64%

HALF YEAR RESULTS

Hutchison Global Communications Holdings Limited (“the Company”, formerly “Vanda Systems & Communications Holdings Limited”) and its subsidiaries and associates (“the Group”) recorded an unaudited consolidated profit attributable to shareholders of HK\$49 million for the six months ended 30 June 2004, an increase of 35% compared to HK\$36 million for the same period last year. Basic earnings per share amounted to 0.80 cents, an increase of 8%.

On 12 March 2004, the Vanda Group¹, HGC Group² and PowerCom Group³ businesses were merged. These interim accounts have been prepared in accordance with the Hong Kong Society of Accountants’ Statement of Standard Accounting Practice (“SSAP”) No. 30, which deems the HGC Group to have acquired Vanda Group and PowerCom Group. Pursuant to the SSAP 30 and following the accounting treatment of reverse acquisition set out in International Financial Reporting Standard (“IFRS”) No. 3 issued by International Accounting Standards Board, the interim results include the six months results of the HGC Group consolidated with the results of Vanda Group and PowerCom Group from the date of acquisition of 12 March 2004. The 2003 comparative amounts for the period January 2003 to June 2003 reflect the position of HGC Group and do not include the results of Vanda Group nor PowerCom Group. Also shown are the last interim results reported by Vanda Group for the period April 2003 to September 2003. However this information of Vanda Group is not comparable to the basis of preparation of interim accounts as set out in Note 1(a).

DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2004 (2003: Nil).

¹ Vanda Systems & Communications Holdings Limited and its subsidiaries and associates

² Hutchison Global Communications Investments Limited and its subsidiaries and partnership

³ PowerCom Network Hong Kong Limited and its subsidiaries

OPERATIONS

The Group's turnover and operating profit are shown by business segment in Note 3 to the consolidated profit and loss account. The Group operates two core businesses, the provision of telecommunications services and IT solutions. Turnover for the period totalled HK\$1,238 million, an increase of 64% over last year, mainly due to continued service expansion in the telecommunications division and contribution from the IT solutions division. Total operating profit for the period improved by 49% (after excluding exceptional gain of HK\$24 million from Universal Service Contribution refund in 2003) over last year to HK\$90 million.

The Group's finance costs for the period decreased 18% to HK\$39 million compared to HK\$48 million in the same period of last year, mainly due to lower interest rates.

TELECOMMUNICATIONS

The telecommunications division's turnover consists of revenues generated from local voice services, residential broadband services, local data services, international bandwidth and international direct dialling ("IDD") businesses. Despite intensive competition in the local market, the Group managed to achieve solid performance through offering premium, reliable and competitively priced services backed by a state-of-the-art network infrastructure. The telecommunications division reported growth in turnover to HK\$929 million, a 23% increase over the first six months of last year. Operating profit improved 31% to reach HK\$79 million, after excluding exceptional gain from Universal Service Contribution refund in 2003.

Highlights of performance for the division are as follows:

- Local voice revenue increased 17% over the first half of last year. The number of residential voice subscribed lines grew by 6% from the beginning of the year reaching approximately 225,000 as at 30 June 2004. The commercial voice business continued to capture new customers in both the private and public sectors.
- The division's residential broadband services are offered via in-building connection using either telecommunications cables or electric power grids. As at the end of June 2004, broadband subscribers under both provisioning methods reached approximately 146,000, representing an increase of 22% since the start of this year. Revenue grew by 48% compared to first six months in 2003.
- The local data business provides quality and reliable services to mobile operators, large corporations, telecommunications carriers, SMEs and internet service providers. Comparing the active bandwidth sold at 30 June 2004 to that at 31 December 2003, a growth rate of over 10% was achieved.
- Progress has been made in all areas of the division's international bandwidth business including International Private Leased Circuit, Internet Protocol ("IP") transit and Indefeasible Right of Use sales. Revenue surged by 122% over last year. Major milestones achieved by the Group in the first half of 2004 were as follows:

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- ◆ Established a 10Gbit/s (gigabits per second) Mainland-Hong Kong connection with China Netcom International Corporation Ltd. Together with the Group's existing 12.5Gbit/s direct fibre connection with China Telecom Corporation, this has increased the Group's total Mainland-Hong Kong network capacity to 22.5Gbit/s, making it capable of delivering one of the largest cross-border bandwidth amongst all the operators with direct fibre land links to the Mainland.
 - ◆ Obtained a Certificate of Hong Kong Service Supplier under CEPA which opens up various business opportunities currently being explored.
 - ◆ Launched the world's first Ethernet to Ethernet services in co-operation with top broadband carriers in Korea and Taiwan. The Group's Internet Protocol Virtual Private Network services can now reach over 40 cities in the world through direct connections or partnership arrangements.
- The division's retail IDD business and wholesale international voice services with other carriers registered very strong growth in the first half of 2004. The total handled voice traffic grew from 190 million minutes in the first half of 2003 to 440 million minutes this year.

The Group is also an active promoter of on-line education and eLearning in the educational sector and continues to make satisfactory progress in the first half of the year. Leveraging on the extensive fibre optic network, it is currently offering high-speed broadband connectivity to over 600 primary and secondary schools in Hong Kong.

IT SOLUTIONS

Prior to merging with HGC Group and PowerCom Group under one company, the IT solutions business was carried on under the name of Vanda Systems & Communications Holdings Limited ("Vanda"). From the merger completion date of 12 March 2004 to 30 June 2004, the IT division's turnover and operating profit amounted to HK\$310 million and HK\$11 million respectively. This is in contrast to the last audited results of Vanda covering the nine month period ended 31 December 2003 which reported a net operating loss of HK\$52 million. The turnaround in performance is largely attributed to the absence of large impairment provisions, securing of higher margin businesses, improvement of operational efficiency and gain on disposal of a subsidiary.

OUTLOOK

In the first half of the year, the Group operated under intensive competition in the telecommunications and IT sectors, unstable economic conditions and continuing price pressure. Despite these challenging conditions, all of the Group's businesses performed well.

Looking ahead, the Group is well placed to take advantage of the IP convergence phenomenon which is fast happening in Hong Kong and the region. The Group's fibre optic network investment which deploys cutting edge technology is best equipped to handle IP traffic in both directions, thus allowing the Group to capitalise on the many opportunities that are being surfaced as a result of the shift towards IP.

With a network coverage extending to over one million households and all of the major business districts, the Group believes it will continue to capture increasing market share in all sectors of the telecommunications market that it operates. The IT solutions division will continue to grow its business through cross-selling and bundling of telecommunications services while reducing incremental administrative and selling costs.

The Group is cautiously optimistic that the economic and business climate will continue to improve in the second half, both in Hong Kong and the region. Going forward, the Group will work hard to strive for growth and maintain a healthy financial position.

The Board of Directors would like to express their appreciation to the employees for their hard work and dedication and to our shareholders and business partners for their continued support.

Fok Kin-ning, Canning
Chairman

Hong Kong, 16 August 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended

			<i>(Not comparable)</i>	
			As restated	
	Notes	Unaudited 30 June 2004 HK\$'000	Unaudited 30 June 2003 HK\$'000 (Note 1(a))	Audited 30 September 2003 HK\$'000 Note 1(b)
Turnover	3	1,238,170	754,272	420,990
Cost of sales, exclusive of depreciation and amortisation shown below		(774,829)	(381,613)	(353,563)
		<u>463,341</u>	<u>372,659</u>	<u>67,427</u>
Other revenues		6,447	3,880	3,417
Selling, general and administrative expenses		(162,784)	(99,868)	(79,116)
Depreciation and amortisation		(225,910)	(192,746)	(4,741)
Other operating expenses		-	-	(22,737)
Gain on disposal of subsidiaries		8,652	-	-
Operating profit/(loss)		<u>89,746</u>	<u>83,925</u>	<u>(35,750)</u>
Finance costs		(39,120)	(47,816)	(7,744)
Share of profits of associates		4	-	67
Profit/(loss) before taxation		<u>50,630</u>	<u>36,109</u>	<u>(43,427)</u>
Taxation	4	(2,321)	-	(12,013)
Profit/(loss) after taxation		<u>48,309</u>	<u>36,109</u>	<u>(55,440)</u>
Minority interests		322	-	(145)
Profit/(loss) attributable to shareholders		<u><u>48,631</u></u>	<u><u>36,109</u></u>	<u><u>(55,585)</u></u>
Basic earnings/(loss) per share	5	<u>0.80 cents</u>	<u>0.74 cents</u>	<u>(9.39 cents)</u>
Diluted earnings per share	5	<u>0.80 cents</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2004 HK\$'000	As restated Audited 31 December 2003 HK\$'000 (Note 1(a))	<i>(Not comparable)</i> As restated Audited 31 December 2003 HK\$'000 (Note 1(b))
Non-current assets				
Fixed assets		6,283,354	6,045,145	40,007
Investment properties		23,300	-	28,800
Interests in associates		3,239	-	3,415
Prepaid capacity and maintenance		1,256,089	1,277,627	-
Other non-current assets		151,574	125,880	-
		<u>7,717,556</u>	<u>7,448,652</u>	<u>72,222</u>
Current assets				
Trade accounts receivable	6	397,878	168,293	181,570
Inventories		34,841	-	27,433
Other receivables, deposits and prepaid costs		75,317	22,087	27,102
Due from immediate holding company		210	193	-
Due from fellow subsidiaries		46,149	46,753	-
Pledged bank deposits		16,267	-	60,798
Cash and cash equivalents		111,008	8,446	133,572
		<u>681,670</u>	<u>245,772</u>	<u>430,475</u>
Current liabilities				
Trade accounts payable	7	190,821	278,975	123,501
Deposits received, other payables and accrued liabilities		951,350	666,949	223,036
Due to intermediate holding company		9,047	16,401	-
Due to fellow subsidiaries		10,166	232	-
Interest-bearing bank loans, overdrafts and supplier loans		138,338	1,239	81,122
		<u>1,299,722</u>	<u>963,796</u>	<u>427,659</u>
Net current assets/(liabilities)		<u>(618,052)</u>	<u>(718,024)</u>	<u>2,816</u>
Total assets less current liabilities		<u>7,099,504</u>	<u>6,730,628</u>	<u>75,038</u>

CONSOLIDATED BALANCE SHEET (Continued)

		Unaudited	As restated	<i>(Not</i>
		30 June	Audited	<i>comparable)</i>
	Note	2004	31 December	As restated
		HK\$'000	2003	Audited
			HK\$'000	31 December
			(Note 1(a))	2003
				HK\$'000
				(Note 1(b))
Non-current liabilities				
Finance lease payable and provisions		111	-	167
Long term bank loans, secured		1,592	-	2,086
Long term loans from intermediate holding company		3,710,828	3,423,981	-
Other long term loans		30,803	14,653	-
Deferred tax		632	-	632
		<u>3,743,966</u>	<u>3,438,634</u>	<u>2,885</u>
Net assets		<u>3,355,538</u>	<u>3,291,994</u>	<u>72,153</u>
Capital and reserves				
Share capital	8	690,169	78	153,642
Reserves		(537,873)	3,291,916	(95,767)
		<u>152,296</u>	<u>3,291,994</u>	<u>57,875</u>
Shareholders' funds		152,296	3,291,994	57,875
Minority interests		3,242	-	14,278
Convertible note		3,200,000	-	-
		<u>3,355,538</u>	<u>3,291,994</u>	<u>72,153</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1(a) Basis of Preparation of Interim Accounts

The interim accounts have been prepared based on the reverse acquisition method following the stipulations of SSAP 30 and IFRS 3 in accounting for the transaction whereby the businesses of Vanda Group, HGC Group and PowerCom Group were combined as from 12 March 2004. This is in contrast to note 35(c) to the 2003 Annual Report of Vanda Group wherein it was anticipated that the acquisition method of accounting would be adopted. Subsequent to the 2003 Annual Report and after consultation with professional accounting advisers, it was decided that the reverse acquisition method was required to be used in accordance with current accounting standards. The reverse acquisition method deems HGC Group to be the effective acquirer of Vanda Group and PowerCom Group using the purchase method of accounting. Under this method, the identifiable assets and liabilities of Vanda Group and PowerCom Group were assessed at their fair value at 12 March 2004. The deemed consideration for the purchase of Vanda Group and PowerCom Group were taken to be the same as the fair value of the net assets of Vanda Group and PowerCom Group. Accordingly, no goodwill has arisen in accounting for the business combination.

In accordance with IFRS 3, the 2004 interim results include the six months' results of HGC Group consolidated with the results of Vanda Group and PowerCom Group from the date of acquisition of 12 March 2004. The 2003 comparative amounts reflect the position of the HGC Group and do not include the results of Vanda Group nor PowerCom Group.

At 30 June 2004, the Group had net current liabilities of HK\$618,052,000 and significant capital expenditure commitments of HK\$737,888,000. The Group has obtained a loan facility amounting to HK\$4.4 billion from Hutchison International Limited, an intermediate holding company of the Company, of which approximately HK\$3.7 billion has been utilised at 30 June 2004. With these loan facilities continued to be available to the Group for a period of at least twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as they fall due and to continue a business for a period of at least twelve months from the date of this report. Consequently, the Directors have prepared the financial statements on a going concern basis.

1(b) Additional Information

Additional information of Vanda Group from the last interim report for the period April 2003 to September 2003 and the last annual report showing the balance sheet at 31 December 2003 are also provided. However, they are not comparable to the basis of preparation of interim accounts as set out in Note 1(a) above.

2 Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with SSAP 25 on Interim Financial Reporting issued by the Hong Kong Society of Accountants. The accounting policies and basis used in the preparation of these interim financial statements are the same as those adopted in the Group's annual financial statements for the year ended 31 December 2003. Certain comparative figures have been reclassified to conform with the current period presentation.

Depreciation of fixed assets under businesses in telecommunications services:

During the six month period ended 30 June 2004 the Group re-assessed the useful lives of certain of the Group's telecommunications and other assets in relation to the Group's telecommunications division. As a result of this re-assessment the useful lives of some of these assets have been extended from 6.7 years to 20 years and some from 25 years to 35 years. This change in accounting estimate has been accounted for prospectively from 1 January 2004 resulting in a reduction in depreciation charge for the six months ended 30 June 2004 of HK\$27 million.

3 Segment Information

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

Business segment

	Unaudited					
	Telecommunications Services		IT Solutions		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30	30	30	30	30	30
	June	June	June	June	June	June
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 1(a))		(Note 1(a))		(Note 1(a))
Segment revenue:						
Turnover	928,529	754,272	309,641	-	1,238,170	754,272
Other revenue	3,411	3,880	3,036	-	6,447	3,880
Total	931,940	758,152	312,677	-	1,244,617	758,152
Operating profit	78,983	83,925	10,763	-	89,746	83,925

Geographical segment

	Unaudited							
	Hong Kong and Macau		Mainland China		South East Asia		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30	30	30	30	30	30	30	30
	June	June	June	June	June	June	June	June
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 1(a))		(Note 1(a))		(Note 1(a))		(Note 1(a))
Segment revenue:								
Turnover	976,252	754,272	75,381	-	186,537	-	1,238,170	754,272
Other revenue	4,337	3,880	1,073	-	1,037	-	6,447	3,880
Total	980,589	758,152	76,454	-	187,574	-	1,244,617	758,152
Operating profit	70,526	83,925	15,168	-	4,052	-	89,746	83,925

4 Taxation

	Unaudited	
	Six months ended	
	30 June	30 June
	2004	2003
	HK\$'000	HK\$'000
Profits tax charged for current period		(Note 1(a))
- Outside Hong Kong	2,321	-

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the periods.

Tax on the profits of the Company and its subsidiaries operating outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions of their operations based on existing legislation, interpretations and practices in respect thereof.

5 Earnings per share

Under the reverse acquisition method, the 4,875,000,000 ordinary shares issued by the Company to acquire HGC Group as set out in Note 8 are deemed to be in issue on 1 January 2003 for the purpose of computing earnings per share.

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30 June 2004 of HK\$48,631,000 (six months ended 30 June 2003: HK\$36,109,000) and the deemed weighted average of 6,111,060,602 ordinary shares in issue during the six months ended 30 June 2004 (six months ended 30 June 2003: 4,875,000,000 deemed ordinary shares).

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30 June 2004 of HK\$48,631,000 and 6,112,913,006 ordinary shares, being the deemed weighted average number of shares outstanding during the period, adjusted for the effects of dilutive potential weighted average of 1,852,404 ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period.

6 Trade accounts receivable

The Group's sales to corporate customers are entered into on credit terms ranging from 30 days to 60 days. The aged analysis of trade accounts receivable at the respective balance sheet dates is as follows:

	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000 (Note 1(a))
Current to 30 days	227,423	100,746
31 to 90 days	126,301	67,179
Over 90 days	44,154	368
	<u>397,878</u>	<u>168,293</u>

7 Trade accounts payable

The aged analysis of trade accounts payable at the respective balance sheet dates is as follows:

	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000 (Note 1(a))
Current to 30 days	77,482	8,607
31 to 90 days	44,903	69,655
Over 90 days	68,436	200,713
	<u>190,821</u>	<u>278,975</u>

8 Share capital

	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000 (Note 1(a))
Authorised:		
30,000,000,000 ordinary shares of HK\$0.10 each (31 December 2003: 50,000 ordinary shares of US\$1 each)	3,000,000 <u> </u>	390 <u> </u>
Issued and fully paid:		
6,901,693,961 ordinary shares of HK\$0.10 each (31 December 2003: 10,000 ordinary shares of US\$1 each)	690,169 <u> </u>	78 <u> </u>

The comparative share capital information shown above at 31 December 2003 is that of Hutchison Global Communications Investments Limited. The following information is provided to trace the movement of share capital for the Company:

- (a) The Company's authorised and fully paid share capital at 31 December 2003 comprised 4,000,000,000 and 1,536,421,325 ordinary shares of HK\$0.10 each respectively, amounting to HK\$400,000,000 and HK\$153,642,133 respectively.
- (b) Pursuant to an ordinary resolution passed at a special general meeting held on 5 March 2004, the authorised share capital of the Company increased from HK\$400,000,000 to HK\$3,000,000,000 by the creation of an additional 26,000,000,000 ordinary shares of HK\$0.10 each.
- (c) During the period from 1 January 2004 to 11 March 2004, 1,700,000 share options were exercised which resulted in the issue of 1,700,000 ordinary shares at HK\$0.10 each at a subscription price of HK\$0.81 per share, giving rise to a share premium of HK\$1,207,000.
- (d) On 12 March 2004, 4,875,000,000, 395,743,835 and 92,828,801 new ordinary shares of HK\$0.10 each were allotted and issued to Hutchison Global Communications Investment Holding Limited for the acquisition of HGC Group, Cheung Kong Enterprises Limited for the acquisition of its share of PowerCom Group and CLP Telecommunications Limited for the acquisition of its share of PowerCom Group respectively.

GROUP CAPITAL RESOURCES AND LIQUIDITY

At 30 June 2004, the Group's cash and cash equivalents were HK\$111 million (31 December 2003: HK\$8 million) of which 29% were denominated in Hong Kong dollars, 23% in Singapore dollars, 19% in Renminbi, 15% in US dollars and 14% in other currencies.

At 30 June 2004, the Group's borrowings of HK\$7,082 million (31 December 2003: HK\$3,440 million) were 99% denominated in Hong Kong dollars with the balance in other currencies.

At 30 June 2004, approximately 47% of the Group's borrowings bore interest at fixed rates and the remaining 53% were at floating rates.

The net debt to net capital ratio⁴ of the Group as at 30 June 2004 was approximately 98% (31 December 2003: 51%). Excluding the loans and convertible note due to companies controlled by Hutchison Whampoa Limited, the ultimate holding company of the Group, the net debt to net capital ratio of the Group as at 30 June 2004 was approximately 22% (31 December 2003: 0.23%).

TREASURY POLICIES

At 30 June 2004, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2004, the Group employed a work force of 2,072 (30 June 2003: 1,295) and the related employee cost for the six month period, including Director's emoluments, totalled HK\$229 million (30 June 2003: HK\$180 million).

PLEDGE OF ASSETS

As at 30 June 2004, other than the pledged deposits which were disclosed on the consolidated balance sheet, certain of the Group's leasehold land and buildings with a net book value of HK\$11,677,000 and investment properties with carrying value of HK\$19,410,000 were pledged as security for banking facilities granted to the Group. The

⁴ Net debt is defined as total borrowings net of total cash and cash equivalents (including pledged bank deposits). Net capital is defined as net debt plus share capital, reserves and minority interests.



net book value of the Group's fixed assets held under finance leases amounted to HK\$153,000.

PUBLICATION OF FURTHER INFORMATION

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31 March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Company's and the Stock Exchange's websites in due course. The Group's unaudited condensed consolidated interim accounts have been reviewed by the Audit Committee of the Company.