



## HUTCHISON WHAMPOA LIMITED

(Incorporated in Hong Kong with limited liability)



## HUTCHISON HARBOUR RING LIMITED

和記港陸有限公司\*

(Incorporated in Bermuda with limited liability)

### JOINT ANNOUNCEMENT APPLICATION FOR NEW WAIVERS FOR ONGOING CONNECTED TRANSACTIONS

The Existing Supplies constitute connected transactions for each of HWL and HHR under the Listing Rules. On 25 November 2002, HWL and HHR obtained from the Stock Exchange the Existing Waivers from strict compliance with the press notice requirements under Rule 14.25(1) of the Listing Rules in respect of the Existing Supplies. For HHR, the Existing Supplies comprise transactions with the HWL Group, a substantial shareholder of the HHR Group and its associates. For HWL, the Existing Supplies comprise transactions with the HHR Group, a non-wholly owned subsidiary of HWL and its associates. The Existing Supplies have been and the Expanded Supplies will continue to be carried out in the ordinary and usual course of business of both groups.

HHR expects that the annual aggregate amount of the Existing Supplies will soon exceed the higher of HK\$10 million or 3% of the HHR NTA, the cap of the HHR Existing Waiver, and will therefore be subject to disclosure and independent shareholders' approval requirements under the Listing Rules for HHR. As the Expanded Supplies will continue to be carried out on a recurring basis, and in respect of a wider range of goods and services, the HHR Directors consider that it will be unduly burdensome and impractical for HHR to make disclosure and seek HHR Independent Shareholders' approval on each occasion the Expanded Supplies arise. Accordingly, HHR will apply to the Stock Exchange for an HHR Supplies Waiver from strict compliance with the disclosure and independent shareholders' requirements under Rule 14.26 of the Listing Rules for each of the three financial years ending 31 December 2005 in respect of the Expanded Supplies. HWL will apply to the Stock Exchange for an HWL Supplies Waiver from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules in respect of the wider range of goods and services comprising the Expanded Supplies compared with that covered by the HWL Existing Waiver.

HIL, a wholly owned subsidiary of HWL, has been providing and will continue to provide the HHR Group administrative and support services pursuant to the Service Agreement. The aggregate fees for the provision of such services for the year ended 31 December 2002 were within the *de minimis* exemption in respect of the connected transactions under Rule 14.24(5) of the Listing Rules for HHR. The aggregate fees since the beginning of this year up to the date of this announcement have been within the *de minimis* exemption in respect of connected transactions under Rule 14.24(5) of the Listing Rules for HHR. HHR expects that the aggregate fees for provision of such services in 2003 including those in respect of the third quarter of 2003 and beyond will be of an amount exceeding the higher of HK\$1 million or 0.03% of the HHR NTA, thus falling outside the *de minimis* exemption under Rule 14.24(5) of the Listing Rules for HHR. Accordingly, details of the provision of such services are required to be disclosed in this announcement and will be included in the next annual report and accounts of HHR in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules. An application will be made by HHR to the Stock Exchange for a separate HHR Services Waiver, subject to standard terms and conditions (including annual report disclosure), to disclose further provision of administrative and support services from time to time by the HIL Group to the HHR Group by way of press announcement.

A circular containing, among other things, details of the Expanded Supplies, a letter from the HHR Independent Board Committee and an opinion of the HHR independent financial adviser, together with a notice convening the SGM to approve the Expanded Supplies will be despatched to the HHR Shareholders as soon as practicable. HWL and its associates will abstain from voting in relation to the resolution to be put forward at the SGM for the purpose of approving the Expanded Supplies.

#### BACKGROUND

Reference is made to the joint announcement of HWL and HHR dated 5 August 2002 regarding details of the connected transactions regarding the supplies of a range of products, including water bottle caps and injection moulds by the HHR Group to the HWL Group. The HWL Group is a connected person for HHR by virtue of HWL being a substantial shareholder of HHR by virtue of its 57.5% indirect shareholding in HHR. The HHR Group is a connected person for HWL by virtue of HHR being an indirect non-wholly owned subsidiary of HWL. The Existing Supplies constitute connected transactions for each of HWL and HHR under the Listing Rules. HWL and HHR made applications to the Stock Exchange for waivers to disclose further Existing Supplies by the HHR Group to the HWL Group by way of press announcement. On 25 November 2002, the Stock Exchange granted the Existing Waivers.

The HWL Directors and the HHR Directors intend that the HWL Group and the HHR Group will continue to enter into the Expanded Supplies, which comprise the Existing Supplies and other product lines as described in its definition and under the section headed "Particulars of the Expanded Supplies" herein below. The Existing Supplies are and the Expanded Supplies will be entered into in the ordinary and usual course of business on normal commercial terms based on arm's length negotiation. HHR expects that the annual aggregate amount of the Existing Supplies will soon exceed the higher of HK\$10 million or 3% of the HHR NTA, the cap of the HHR Existing Waiver, and will therefore be subject to disclosure and independent shareholders' approval requirements under the Listing Rules. The Expanded Supplies will be subject to approval by the HHR Independent Shareholders under Rule 14.26 of the Listing Rules. HHR will apply to the Stock Exchange for an HHR Supplies Waiver from strict compliance with the disclosure and independent shareholders' approval requirements of Rule 14.26 of the Listing Rules in respect of each of the three financial years ending 31 December 2005. HWL will apply to the Stock Exchange for an HWL Supplies Waiver from strict compliance with the press notice requirement of Rule 14.25(1) of the Listing Rules in respect of the disclosure of the wider range of goods and services comprising the Expanded Supplies compared with that covered by the HWL Existing Waiver.

#### PARTICULARS OF THE EXPANDED SUPPLIES

Since June 2002, the HHR Group has supplied a range of products to the HWL Group. These products include plastic products, moulds, premium products, electronic and mobile phone accessories. Further opportunities in other sectors of the HWL Group are also being explored which include fabrics, paper, textile and garment, toys, household, sports, beauty and health products and other product lines described in the definition of "Expanded Supplies".

The terms of the Existing Supplies are determined at arm's length negotiations and are on normal commercial terms.

The Existing Supplies experienced substantial growth since the beginning of this year and the Expanded Supplies are expected by HHR to continue to post significant growth in the foreseeable future as the HHR Group intends to continue to explore business opportunities with the HWL Group, a conglomerate with much diversified businesses. In particular, HHR expects the supply of mobile phone accessories to have the most significant growth as the telecommunication arm of the HWL Group launches the 3G mobile phone services worldwide.

The following table sets out the approximate total aggregate amounts in respect of the above transactions for the year ended 31 December 2002 and the six months ended 30 June 2003:

	Year ended 31 December 2002	Six months ended 30 June 2003
The Existing Supplies	HK\$5,574,000	HK\$44,140,162
As a percentage of such year's audited consolidated turnover of the HHR Group	0.3%	2.4% (Note 1)
As a percentage of the HHR NTA	0.2%	1.9% (Note 2)

Note 1: represents the half-yearly actual sales amount as compared to the audited consolidated turnover of the HHR Group for the year ended 31 December 2002. On an annualised basis, the percentage would be 4.9%.

Note 2: represents the half-yearly actual sales amount as compared to the HHR NTA. On an annualised basis, the percentage would be 3.7%.

The Proposed Cap for the Expanded Supplies in each of the three financial years ending 31 December 2005 is fifteen per cent (15%) of the audited consolidated turnover of the HHR Group for such financial year. The Proposed Cap is determined by reference to, among other matters, the historical sales of products to the HWL Group, the internal projection of contracts between the HHR Group and the HWL Group which is based on (i) contracts on hand and verbally agreed between relevant members of the HHR Group and potential customers within the HWL Group, as well as projections from previous sales trend with reference to market condition and potential orders under negotiation and (ii) the timetable for the launch of the 3G mobile phone services by the HWL Group worldwide during the relevant period thereby increasing its demand for mobile phone accessories substantially. Based on the contracts on hand and in respect of forecast sales verbally agreed between relevant members of the HHR Group and potential customers within the HWL Group, the Expanded Supplies for the year ending 31 December 2003 will be close to 15% of the projected turnover of the HHR Group for the year.

#### APPLICATION FOR NEW WAIVERS

Under the HHR Existing Waiver, HHR is exempted from strict compliance with the press notice requirement as set out in Rule 14.25(1) of the Listing Rules in respect of the Existing Supplies between the HHR Group and the HWL Group, subject to standard terms and conditions which include, but are not limited to, that the aggregate sales amount in respect of the Existing Supplies on an annual basis will not exceed the higher of HK\$10 million or 3% of the HHR NTA.

Since the beginning of 2003, the HHR Group and the HWL Group have been in discussions of the supplies of additional products comprising the Expanded Supplies by the HHR Group to the HWL Group. HHR expects the annual aggregate amount of the Existing Supplies will soon exceed the higher of HK\$10 million or 3% of the HHR NTA, the cap of the HHR Existing Waiver, and will therefore be subject to disclosure and independent shareholders' approval requirements under Rule 14.26 of the Listing Rules. As the Existing Supplies have been and the Expanded Supplies will continue to be carried out in the ordinary and usual course of the business of both groups and will occur on a recurring basis, and in respect of a wider range of goods and services, the HHR Directors consider that it will be unduly burdensome and impractical for the HHR Group to make disclosure and seek HHR Independent Shareholders' approval on each occasion the Expanded Supplies arise. Accordingly, HHR will apply to the Stock Exchange for an HHR Supplies Waiver from strict compliance with the disclosure and independent shareholders' approval requirements under Rule 14.26 of the Listing Rules for each of the three financial years ending 31 December 2005 in respect of the Expanded Supplies subject to and conditional upon approval by the HHR Independent Shareholders of the Expanded Supplies at the SGM and further subject to the following conditions:

- the Expanded Supplies shall be:
  - entered into by the HHR Group in the ordinary and usual course of its business;

- entered into either (i) on normal commercial terms; or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the HHR Shareholders are concerned; and

- carried out in accordance with the terms of the respective agreements governing such transactions or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- the annual aggregate amounts of the Expanded Supplies will not exceed the Proposed Cap for the Expanded Supplies in each of the three financial years ending 31 December 2005 being fifteen per cent (15%) of the audited consolidated turnover of the HHR Group for such financial year as described in the section headed "Particulars of the Expanded Supplies";
  - the independent non-executive HHR Directors will review annually the Expanded Supplies and confirm in the HHR's next annual report that such transactions have been conducted in the manner as stated in paragraphs 1 and 2 above;
  - the auditors of HHR will review annually the Expanded Supplies and confirm in a letter (the "Letter") to the board of HHR Directors (a copy of which shall be provided to the Stock Exchange) stating whether:
    - the Expanded Supplies have received the approval of the HHR Directors; and
    - the Expanded Supplies have been carried out in accordance with the terms of the relevant agreements governing such Expanded Supplies or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and

- the Proposed Cap has been exceeded;
- where, for whatever reason, the auditors of HHR decline to accept the engagement or are unable to provide the Letter, the HHR Directors will contact the Stock Exchange immediately; and

- details of the Expanded Supplies in each financial year as required under Rule 14.25(1)(A) to (D) of the Listing Rules will be disclosed in the HHR's annual report for that financial year together with a statement of opinion of the independent non-executive HHR Directors referred to in paragraph 3 above.

Should the annual aggregate amounts of the Expanded Supplies exceed the Proposed Cap, HHR will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules. In the event that the terms of the Expanded Supplies be altered, extended or renewed or HHR enters into any new agreements with any connected persons in the future, HHR must comply with the relevant requirements of the Listing Rules governing connected transactions unless HHR applies for and obtains a separate waiver from the Stock Exchange.

HWL will also apply for an HWL Supplies Waiver from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules in respect of the wider range of goods and services comprising the Expanded Supplies compared with that covered by the HWL Existing Waiver subject to standard terms and conditions (including annual report disclosure), for as long as the aggregate value of the Expanded Supplies on an annual basis falls within the *de minimis* exemption as it applies to HWL under Rule 14.25(1) of the Listing Rules and they are effected on normal commercial terms reached after arm's length negotiations.

#### REASONS FOR AND BENEFITS OF THE EXPANDED SUPPLIES

In pursuit of the common business objective and the strategy of maximising and capturing opportunities to the mutual benefit of both the HWL Group and the HHR Group, the HHR Group has supplied its OEM products to the HWL Group.

The HWL Directors and the HHR Directors (including the independent non-executive HWL Directors) consider it to be in the interests of both groups to capitalise on one of HHR's strengths and leading position in the manufacturing industry to help meeting the vast manufacturing and production demand of the retail business of the HWL Group. Further opportunities in other sectors of the HWL Group are also being explored and it is contemplated that further OEM products of a description comprising the Expanded Supplies will be supplied by the HHR Group on a similar basis to the HWL Group. Moreover, the HHR Group has been developing the ODM and OBM business, in pursuit of greater level of customisation and product differentiation. The HHR Group views the HWL Group as a significant and important customer in fuelling the future growth of the HHR Group.

The HWL Directors and the HHR Directors (including the independent non-executive HWL Directors) consider that the Existing Supplies are and the Expanded Supplies will continue to be conducted in the ordinary and usual course of business of both groups and on normal commercial terms or terms arrived at after arm's length negotiations between the parties that are fair and reasonable so far as the shareholders of HWL and of HHR are concerned.

#### PARTICULARS OF THE SERVICE AGREEMENT

HHR and HIL entered into the Service Agreement on 31 July 2003 which sets forth the terms and conditions under which HIL will continue to provide or procure other members of the HIL Group to continue to provide administrative and support services to the HHR Group. The HIL Group has been providing certain administrative and support services to the HHR Group in connection with the operation of the HHR Group's business since the third quarter of 2001 when HHR became a subsidiary of HWL. The Service Agreement is deemed to have commenced on the Commencement Date and will expire on 31 December 2007.

The Services covered in the Service Agreement comprise administrative services (including legal and secretarial support services, advisory and support services on fund raising and treasury matters, public relations support services and tax planning support services) and operation-related consultancy services (including operation review and ad hoc review of special projects).

The parties agree that the amount of the fee of the Services provided shall be equal to the cost to (including out-of-pocket expenses incurred by) the HIL Group for the provision for the Services plus a margin of 10% per annum (or at such other reasonable margin rate or on such other reasonable basis as the parties may agree in writing) to cover overheads, clerical, general office support and other non-specific costs and expenses incurred by the HIL Group in generating the Services. The aggregate amount charged by the HIL Group to the HHR Group for the Services for the six months ended 30 June 2003 was approximately HK\$862,500, representing approximately 0.04% of the HHR NTA.

HIL is a connected person for HHR by virtue of it being a wholly owned subsidiary and therefore an associate of HWL, an indirect 57.5% shareholder of HHR. As a result, the Service Agreement constitutes a connected transaction for each of HWL and HHR under the Listing Rules. The amount of aggregate fees for the provision of such services for the year ended 31 December 2002 was within the *de minimis* exemption in respect of the connected transactions under Rule 14.24(5) of the Listing Rules for both HHR and HWL. The amount of aggregate fees since the beginning of this year up to the date of this announcement has been within the *de minimis* exemption in respect of the connected transactions under Rule 14.24(5) of the Listing Rules for HHR. HHR expects the aggregate fees for provision of such services for 2003 including that payable in respect of the third quarter in 2003 and beyond will be of an amount exceeding the higher of HK\$1 million or 0.03% of the HHR NTA, thus falling outside the *de minimis* exemption under Rule 14.24(5) of the Listing Rules for HHR but still within the *de minimis* exemption in respect of the connected transactions under Rule 14.24(5) of the Listing Rules for HWL. Details of such services are required to be disclosed in this announcement and will be included in the next annual report and accounts of HHR in accordance with Rule 14.25(1) of the Listing Rules.

The HHR Directors consider the arrangement under the Service Agreement to be the best alternative for the HHR Group to obtain administrative and support services from time to time in connection with the management and operation of the business of the HHR Group. Furthermore, the HHR Directors and the HWL Directors (including their respective independent non-executive directors) consider the terms and conditions under the Service Agreement to be normal commercial terms arrived at after arm's length negotiations between the parties and are fair and reasonable insofar as the shareholders of HWL and HHR are concerned.

An application will be made by HHR to the Stock Exchange for a separate HHR Services Waiver, subject to standard terms and conditions (including annual report disclosure), to disclose further provision of administrative and support services from time to time by the HIL Group to the HHR Group by way of press announcement for as long as the amount of the aggregate fees of these services on an annual basis falls within the *de minimis* exemption as it applies to HHR under Rule 14.25(1) of the Listing Rules and they are effected on normal commercial terms reached after arm's length negotiations.

#### GENERAL

The toy and technology groups within the HHR Group have as their main business the manufacturing, distribution and/or trading of moulds, materials, plastic products, electronic-related products, mobile phone accessories and toys.

The HWL Group operates and invests in five core businesses: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy and infrastructure.

HWL indirectly owns 57.5% of the issued share capital of HHR. In view of the interests of the HHR Group in and the size of the Expanded Supplies, the Expanded Supplies are subject to the approval of the HHR Independent Shareholders. HWL and its associates will abstain from voting in relation to the resolution to be put forward at the SGM for the purpose of approving the Expanded Supplies. The HHR Independent Board Committee has been established to advise the HHR Independent Shareholders regarding the fairness and reasonableness of the terms of the Expanded Supplies and an independent financial adviser will be appointed by HHR to advise the HHR Independent Board Committee in this regard.

A circular containing, among other things, details of the Expanded Supplies, a letter from the HHR Independent Board Committee and an opinion of the HHR independent financial adviser, together with a notice convening the SGM to approve the Expanded Supplies will be despatched to the HHR Shareholders as soon as practicable.

#### DEFINITION

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Commencement Date"	1 January 2003, the deemed commencement date of the Service Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Existing Supplies"	the connected transactions to be continued or to be entered into between the HWL Group and the HHR Group, namely the supplies of a range of products (namely plastic, fabric, electronics and paper products, moulds, premium products and mobile phone accessories) by the HHR Group to the HWL Group
"Expanded Supplies"	the connected transactions to be continued or to be entered into between the HWL Group and the HHR Group, namely the supplies of a range of products and services (namely plastic products, moulds, premium products, mobile phone accessories and related products, electronics and paper products, fabrics, garment and textile, footwear, toys and games, household, sports goods, beauty and health products, stationery, office supplies, fashion accessories (including bags and wallets), leather goods, gifts and novelties, pet products, food and beverage, fine art and collectibles, publishing products, audio and/or audio-visual products) by the HHR Group to the HWL Group
"Existing Waivers"	HWL Existing Waiver and HHR Existing Waiver
"HHR"	Hutchison Harbour Ring Limited, a limited liability company established in Bermuda, the shares of which are listed on the Stock Exchange
"HHR Directors"	directors of HHR from time to time
"HHR Existing Waiver"	the waiver granted to HHR by the Stock Exchange on 25 November 2002 in respect of the ongoing connected transactions entered into between the HWL Group and the HHR Group in respect of the Existing Supplies from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules
"HHR Group"	HHR and its subsidiaries
"HHR Independent Board Committee"	an independent committee of the board of the HHR Directors established for the purpose of reviewing the Expanded Supplies
"HHR Independent Shareholders"	HHR Shareholders other than HWL and its associates
"HHR NTA"	the latest published net tangible asset value of the HHR Group as determined in accordance with Rule 14.04 (1) of the Listing Rules and adjusted in accordance with Rule 14.04(6) of the Listing Rules
"HHR Share(s)"	share(s) of HK\$0.10 each in the share capital of HHR
"HHR Shareholder(s)"	holders of the HHR Share(s)
"HHR Services Waiver"	the waiver to be sought by HHR from the Stock Exchange in respect of the ongoing connected transactions to be entered into by way of the provision of Services by the HIL Group to the HHR Group from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules
"HHR Supplies Waiver"	the waiver to be sought by HHR from the Stock Exchange in respect of the ongoing connected transactions to be entered into between the HWL Group and the HHR Group in respect of the Expanded Supplies from strict compliance with the disclosure and independent shareholders' approval requirements under Rule 14.26 of the Listing Rules
"HIL"	Hutchison International Limited, a limited liability company established in Hong Kong
"HIL Group"	HIL and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HWL"	Hutchison Whampoa Limited, a limited liability company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange
"HWL Directors"	directors of HWL from time to time
"HWL Group"	HWL and its subsidiaries
"HWL Existing Waiver"	the waiver granted to HWL by the Stock Exchange on 25 November 2002 in respect of the ongoing connected transactions entered into between the HWL Group and the HHR Group in respect of the Existing Supplies from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules
"HWL Supplies Waiver"	the waiver to be sought by HWL from the Stock Exchange in respect of the ongoing connected transactions to be entered into between the HWL Group and the HHR Group in respect of the Expanded Supplies from strict compliance with the press notice requirement under Rule 14.25(1) of the Listing Rules
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"OBM"	original brand manufacturing
"ODM"	original design manufacturing
"OEM"	original equipment manufacturing
"Proposed Cap"	the proposed annual limit for the value of the Expanded Supplies to be carried out
"Services"	administrative and support services of a nature described in the section entitled "Particulars of the Service Agreement" above provided or to be provided by the HIL Group to the HHR Group from time to time in connection with the management and operation of the business of the HHR Group
"Service Agreement"	the service agreement dated 31 July 2003 entered into between HHR and HIL for a period of five years from the Commencement Date pursuant to which the HIL Group was appointed to provide the Services to the HHR Group
"SGM"	the special general meeting of HHR to be held to approve the Expanded Supplies
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**Hutchison Whampoa Limited**

**Edith Shih**  
Company Secretary

Hong Kong, 31 July 2003

By Order of the Board  
**Hutchison Harbour Ring Limited**

**Edith Shih**  
Director and Company Secretary

\* for identification purpose only