HUTCHISON WHAMPOA LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 013)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

HIGHLIGHTS			
	2005	2004 (As restated)	
	HK$ millions	HK$ millions	Changes
Turnover	**109,184**	82,201	+33%
EBIT from established businesses (excluding investment properties revaluation profit and profit on disposal of investments)	**16,874**	13,863	+22%
LBITDA of **3** Group before prepaid customer acquisition costs	**794**	4,697	+83% reduction
Profit attributable to shareholders	**11,824**	10,758	+10%
Earnings per share	**HK$2.77**	HK$2.52	+10%
Interim dividend per share	**HK$0.51**	HK$0.51	–

- **Turnover grew 33% to HK$109,184 million**
- **First half year profit increased 10% to HK$11,824 million**
- **Earnings per share increased 10% to HK$2.77**
- **All operating established businesses reported EBIT growth, except the retail and manufacturing division, and recurring EBIT from the established businesses increased 22% to HK$16,874 million**
- **3G customer base currently totals over 9.4 million worldwide**
- **3 Italy is on target to achieve EBITDA breakeven, after all CAC expense, on a monthly basis for the month of August this year and 3 UK is expected to achieve this significant milestone later this year**
- **3 Group's funding requirements to decline in the second half of this year and it is positioned to contribute significant value to the Group**
- **Cash and liquid investments totalled HK$141,714 million**

CHAIRMAN'S STATEMENT

The Group's core businesses once again produced improved results in the first half and also benefited from substantial increases in value of the Group's businesses based on current market value. Profit attributable to shareholders from the established businesses, excluding investment properties revaluation and profit on disposal of investments, increased 30% to HK$7,976 million. The **3** Group's businesses have improved steadily and continue to build a quality customer base. **3** Italy is on target to be earnings before interest expense and finance costs, taxation, depreciation and amortisation ("EBITDA") breakeven, after all customer acquisition costs ("CAC"), on a monthly basis for the month of August this year. This is a significant milestone towards achievement of free cashflow breakeven for the **3** Italy business, and means in effect that revenues from the business are covering both its running operating costs and the cost of acquiring customers at its current high rate of growth. **3** UK and Hutchison Telecommunications Australia are also on target to achieve this significant milestone later this year and early next year, respectively.

HALF YEAR RESULTS

The Group's unaudited profit attributable to shareholders for the half year amounted to HK$11,824 million, a 10% increase over the HK$10,758 million for the same period last year, which has been restated for the adoption of new Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (see Note 2(a) to the accounts). Earnings per share amounted to HK$2.77, compared to HK$2.52 in the same period last year. These results include a net profit on revaluation of investment properties of HK$3,696 million (2004 – Nil) and profits on disposal of investments and others totalling HK$14,900 million (2004 – HK$15,059 million). This profit resulted from two major transactions completed in the first half of this year. Firstly, a profit of HK$9,400 million arose from the exercise by the Group of its right to re-purchase from the minority shareholders of **3** UK their 35% interest for £210 million, a substantial discount both to its net asset value and to the £2,100 million paid to the Group by the minority shareholders when they acquired these interests in 2000. Secondly, a profit of HK$5,500 million was realised from the disposal for cash of a 20% interest in Hongkong International Terminals ("HIT") and a 10% interest in COSCO-HIT Terminals (Hong Kong) ("COSCO-HIT").

In addition, subsequent to the end of the half year, the Group announced a profit on completion of the privatisation of Hutchison Global Communications Holdings ("HGCH"). In August, the Group's listed subsidiary, Hutchison Telecommunications International ("HTIL"), acquired all the HGCH shares that it did not already own in exchange for either cash or HTIL shares, which resulted in HTIL issuing approximately 253 million new shares to HGCH shareholders. After the privatisation, the Group's interest in HTIL was diluted from approximately 74.3% to approximately 69.1% and a profit on disposal of approximately HK$1,150 million will be reported in the Group's results in the second half of 2005.

DIVIDENDS

Your Directors have today declared an interim dividend of HK$0.51 per share (2004 – HK$0.51), payable on 7 October 2005 to those persons registered as shareholders on 6 October 2005. The share register of members will be closed from 29 September 2005 to 6 October 2005, both days inclusive.

BUSINESS GROWTH

During the period, all of the Group's operating business divisions continued to grow and expand their businesses. The Group's turnover grew 33% to total HK$109,184 million compared to the same period last year. Turnover from the established businesses grew 18% to HK$91,928 million, while turnover from the **3** Group grew 291% to HK$17,256 million. Earnings before interest expense and taxation ("EBIT") from the established businesses and before investment properties revaluation and profit on disposal of investments, grew 22% compared to the same period last year, reflecting the significantly improved results of HTIL, Husky Energy, the ports and related services division as well as Cheung Kong Infrastructure. The **3** Group continues to progress based on solid customer, revenue and margin growth and reported a significant reduction in loss before interest expense and finance costs, taxation, depreciation and amortisation ("LBITDA") and before prepaid CAC, loss before interest expense and taxation ("LBIT") and net loss after tax ("NLAT").

The Group's turnover and EBIT, including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment in Note 3 to the consolidated profit and loss account.

Established businesses

Ports and related services

The ports and related services division recorded another period of strong growth and continues to expand its existing capacity and pursue new opportunities. Turnover increased 14% compared to the first half of last year to HK$14,394 million. The combined throughput increased 9% to 24.6 million TEUs (twenty-foot equivalent units) and EBIT increased 18% to HK$4,711 million. This division continues to provide steady and growing income to the Group, contributing 15% and 17% respectively to the turnover and EBIT from the Group's established businesses for the period.

The major contributors to the division's improved EBIT performance were as follows:

- In Hong Kong, HIT and COSCO-HIT reported combined growth of 12% in throughput and EBIT was 1% better than last year.
- Yantian deep-water port operations, which serve the Shenzhen and Southern China manufacturing basin reported a throughput increase of 21% and EBIT was 17% better than the same period last year, reflecting the new capacity from the completion in September 2004 of two new berths.
- The combined operations in Shanghai, Waigaoqiao, Ningbo, Xiamen and other Mainland ports reported continued growth with a 7% increase in throughput and a 29% increase in EBIT.
- In Europe, the combined throughput of the UK ports and Europe Container Terminals ("ECT") in Rotterdam grew by 12%. Combined EBIT increased 26%, mainly due to higher throughput in ECT.
- Operations in other Asian countries, the Middle East and Africa reported combined throughput 11% better than last year and EBIT increased 28%, mainly due to throughput growth in Busan and Gwangyang in South Korea, in Dammam in Saudi Arabia and in Dar es Salaam in Tanzania.
- Operations in the Americas and the Caribbean reported combined throughput 12% ahead of last year and EBIT increased 50% due to higher tariffs and throughput growth in Veracruz in Mexico and strong throughput growth in Panama.

In June, the Group announced the disposal of a 20% and a 10% effective equity interest in HIT and COSCO-HIT respectively, to form a strategic alliance with the Port of Singapore Authority. The Group received a cash consideration of US$925 million and realised a profit on disposal of investments of HK$5,500 million. The ports and related services division is continuing to expand overseas. In March, the Group entered into an agreement with the Alexandria Port Authority and plans are well advanced for the construction, operation and management of two terminals at Alexandria Port and El Dekheila Port in Egypt. Also in March, the Group obtained approval to expand capacity at the Yantian port to meet the expected growth in throughput. In April, the Group commenced the development of Zhuhai International Container Terminal (Gaolan) Phase II, which will provide two container berths on completion in early 2007. During the period, the Group also announced a strategic investment in and the formation of a joint venture with Savi Technology in the US to build and operate an active radio frequency identification ("RFID") based information network to track and manage containerised ocean cargo to meet the urgent global demand for greater security measures in the container transportation industry.

Property and Hotels

The property and hotels division reported improved results, benefiting from the buoyant Hong Kong property market, and continues to increase landbank, primarily in Mainland China and also in London, which will provide the opportunity for future earnings growth. This division reported EBIT of HK$1,813 million, 7% above last year despite a 14% decrease in turnover to HK$3,407 million, mainly due to the timing of sales of completed development projects in Hong Kong and the Mainland. This division contributed 4% and 7% respectively to the turnover and EBIT from the Group's established businesses. Gross rental income totalled HK$1,237 million, 9% above last year, mainly from the rent contributed by The Center, an office building in Shanghai, which was completed in the latter part of 2004, and also from increased rental income from investment properties in Hong Kong, reflecting higher rental rates as leases are renewed. Rental income is expected to continue to rise, in line with the recent upturn in the property market and will continue to provide strong recurrent income to the Group. The rental properties portfolio is 98% let. Development profit reduced commensurate with the timetable of completed properties and was primarily from the sale of the remaining residential units in the Shenzhen Dynasty Garden project, and some units in the Zhuhai Horizon Cove and Guangzhou Cape Coral developments. This decline was more than offset by the write-back of provisions previously made against development projects in Hong Kong, which reflects rising residential property prices. The Group continues to seek new development opportunities and during the period, the Group increased its landbank primarily in the Mainland. The Group's current joint venture share of landbank can be developed into 65.9 million square feet of mainly residential property, of which 93% is situated in the Mainland, 5% in the UK and overseas, and 2% in Hong Kong. The Group's hotel businesses reported EBIT 66% better than last year, mainly due to the recovery of the tourism industry in Hong Kong and the accretive profits from "The Kowloon Hotel" which was acquired in February this year.

Retail and Manufacturing

Turnover for the Group's retail and manufacturing division totalled HK$41,867 million, a 22% increase, mainly due to contributions from Rossmann in Germany, which was acquired in August last year, and Marionnaud Parfumeries ("Marionnaud") which was acquired in April this year, and also to the growth of the health and beauty operations in Continental Europe and Asia. EBIT from this division totalled HK$905 million, 40% below last year. Last year's comparative results included the Group's share of profits in a joint venture before it was disposed of in May 2004 as well as a non-recurring dilution profit from the listing of TOM Online in March 2004. Excluding the effect of these non-recurring items, the comparable EBIT decrease was 14%, mainly due to the consolidation of the expected post-acquisition losses of recently acquired Marionnaud and margin compression in the health and beauty operations in the UK and in the retail operations in Hong Kong. This division contributed 46% and 3% respectively to the turnover and EBIT from the Group's established businesses for the period.

The retail and manufacturing division is focusing on expanding its health and beauty operations by exploiting its retail brands and introducing new store concepts and product offerings both organically through store additions, particularly in Europe, the Mainland and elsewhere in Asia. The division has acquired perfumery and cosmetic retailers in Europe and is pursuing a strategy to integrate this expanded quality product range into its health and beauty operations in Europe and in the fast growing Asian markets. In January, the Group announced a cash offer to acquire Marionnaud, a French listed group and one of the largest perfumery and cosmetics retailers in Europe that operates more than 1,200 stores across 14 countries. More than 95% of Marionnaud's shareholders accepted the offer and Marionnaud is now going through the process of being delisted. The Group is focusing on integrating this business and returning it to being a profitable operation. In May, the Group launched an offer to acquire the profitable listed Merchant Retail Group ("Merchant Retail") in the UK, a leading perfumery retailer in the UK, Ireland and Australia with 120 stores operating under the brand name "The Perfume Shop". In July, over 98% of the issued ordinary share capital was tendered in acceptance of the offer and Merchant Retail was delisted in August 2005. In June, the Group completed the acquisition of a 20-store pharmacy chain, Apex Pharmacy, in Malaysia. The retail division has made significant acquisitions in the first half of the year consolidating leading market share in its segments, and in the second half of this year will focus on the integration of these major businesses. During the period, the total number of retail outlets increased by 42% and the Group now operates over 6,800 retail stores in 33 markets.

Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure ("CKI"), a listed subsidiary, announced turnover of HK$2,234 million and profit attributable to shareholders of HK$1,528 million, 4% and 10% above last year respectively. CKI contributed 8% and 12% respectively to the turnover and EBIT from the Group's established businesses for the period. In June, the acquisition of a 40% and a 19.9% interest in the North of England Gas Distribution Network by CKI and Hongkong Electric, respectively was completed. This profitable utility operation will begin to contribute to CKI's results in the second half of the year. CKI continues to look for opportunities to expand and diversify overseas.

Husky Energy, a listed associated company, announced turnover of C$4,694 million and profit attributable to shareholders of C$778 million, 11% and 61% above the comparable period last year, mainly due to higher realised crude oil and natural gas prices compared to the same period last year and a wider upgrading margin between the revenues from the synthetic crude oil produced and the cost of heavy oil being upgraded. Husky continued with the development of its White Rose project off the east coast of Canada, which is on schedule to achieve first oil before year-end and is expected to add approximately 67,500 barrels per day of light oil production to Husky when it attains full production. Husky also holds substantial interests in oil sands in Alberta, which will provide future earnings growth as they are developed. Market valuations for these assets have surged dramatically as the medium and long-term outlook for oil prices has risen sharply. Husky contributed 11% and 9% respectively to the turnover and EBIT from the Group's established businesses for the period.

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$2,584 million, a decrease of 9%, mainly due to lower profits on disposal of certain fixed income investments, lower realised foreign exchange gains on money market deposits, partially offset by increased interest income and profits on disposal of certain equity investments. These operations contributed 10% of the Group's EBIT from its established businesses for the period. The Group's consolidated cash and liquid investments at 30 June 2005 totalled HK$141,714 million.

Hutchison Telecommunications International

Hutchison Telecommunications International ("HTIL"), a listed subsidiary, announced turnover of HK$10,757 million for the first half to 30 June 2005, 56% above last year. The loss attributable to shareholders was HK$352 million, compared to last year's profit attributable to shareholders of HK$793 million. Included in this loss is a net loss on disposal of investments and others of HK$295 million, mainly related to a loss on disposal of its business in Paraguay. The prior period results included an exceptional profit of HK$1,300 million from a share placement on the partial disposal of a subsidiary company. Excluding the effect of these exceptional items in both periods, the current period's loss attributable to shareholders was 89% lower than the loss in the same period last year, mainly due to the strong performance of the 2G operations in India, increased results in Israel, and the reduction in losses incurred by the operation in Thailand. At 30 June 2005, HTIL had a consolidated mobile customer base of 14.1 million, representing a 12% increase over the beginning of the year. HTIL contributed 13% and 5% respectively to the Group's turnover and EBIT from its established businesses for the period.

HTIL is continuing to strengthen and expand its operations, pursuing convergence of its fixed line and mobile operations in Hong Kong to realise synergies, implementing its plans to commence building and operating mobile telecommunications networks in Vietnam and Indonesia, and expanding its operations in the rapidly growing India market through acquisitions and new licence opportunities.

Notes

1 Basis of preparation

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2004 annual accounts, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes HKAS and Interpretations "HK-INT"). The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2.

HKICPA may issue new and revised standards and interpretations subsequent to the date of issuance of these interim accounts. In addition, interpretations on the application of HKFRS will continue to develop. These factors may require adoption of new accounting policies.

2 Changes in accounting policies

HKICPA has issued a number of new and revised HKFRS that are effective or available for early adoption for the financial year beginning 1 January 2005. In the current period, the Group has adopted retrospectively, where required, all remaining new and revised HKFRS that are currently in issue and effective for the financial year beginning 1 January 2005 and has elected to early adopt Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures, ahead of its effective date of 1 January 2006. The effect of the adoption of these new and revised HKFRS decreased profit attributable to shareholders for the six months ended 30 June 2005 and 2004 by HK$40 million and HK$700 million respectively. The shareholders' funds as at 31 December 2003, 31 December 2004 and 1 January 2005 have been reduced by HK$2,048 million, HK$3,067 million and HK$3,713 million respectively. As explained in note 2(i), HKAS 39, Financial instruments: recognition and measurement, does not allow retrospective application and therefore adjustments made with respect to the changes in accounting policies under this standard are only recorded as at 1 January 2005 with no retrospective adjustments made to prior period comparatives.

Summary of the effect of changes in accounting policies

(a) The effect, where material, of these changes on the profit and loss, earnings per share, the opening balance of shareholders' funds and various balance sheet items is summarised below:

(i) Effect on the profit and loss and earnings per share for the six months ended 30 June 2005 and 2004

Increase (decrease)	HKAS 2 (b) HK$ millions	HKAS 16 (c) HK$ millions	HK-INT 2 (d) HK$ millions	HKAS 17 (e) HK$ millions	HKAS 19 and Amendments (f) HK$ millions	HKAS 21 (g) HK$ millions	HKAS 28 (h) HK$ millions	HKAS 39 (i) HK$ millions	HKFRS 2 (j) HK$ millions	Total HK$ millions
Six months ended 30 June 2005										
Profit after taxation	(53)	22	(69)	(3)	69	–	8	25	(74)	(75)
Loss attributable to minority interests	5	(15)	3	–	(3)	–	(1)	20	26	35
Profit attributable to shareholders	(48)	7	(66)	(3)	66	–	7	45	(48)	(40)
Earnings per share	HK$ (0.01)	–	HK$ (0.02)	–	HK$ 0.02	–	–	HK$ 0.01	HK$ (0.01)	HK$ (0.01)
Six months ended 30 June 2004										
Profit after taxation	(626)	(32)	(62)	(4)	38	–	(53)	–	(37)	(776)
Loss attributable to minority interests	54	5	3	–	(2)	–	8	–	8	76
Profit attributable to shareholders	(572)	(27)	(59)	(4)	36	–	(45)	–	(29)	(700)
Earnings per share	HK$ (0.14)	HK$ (0.01)	HK$ (0.01)	–	HK$ 0.01	–	HK$ (0.01)	–	HK$ (0.01)	HK$ (0.17)

As disclosed in the 2004 annual accounts, the Group had elected to early adopt HKFRS 3, HKAS 36, HKAS 38, HKAS 40 and HK-INT 1 (formerly Statement of Standard Accounting Practice ("SSAP") Interpretation 22). The full year effect of the adoption of these HKFRS had been disclosed in the 2004 annual accounts.

The aggregate effect of adopting these HKFRS on the profit attributable to shareholders and earnings per share for the six months ended 30 June 2004 is as follows:

	HK$ millions
Profit attributable to shareholders	(1,024)
Earnings per share	HK$ (0.24)

The effect of adopting these HKFRS on the total equity had been incorporated in the shareholders' funds and minority interests as at 31 December 2004, as reported in the 2004 annual accounts.

(ii) Cumulative effect on shareholders' funds as at 31 December 2003, 30 June 2004, 31 December 2004, 1 January 2005 and 30 June 2005

Increase (decrease)	HKAS 2 (b) HK$ millions	HKAS 16 (c) HK$ millions	HK-INT 2 (d) HK$ millions	HKAS 17 (e) HK$ millions	HKAS 19 and Amendments (f) HK$ millions	HKAS 21 (g) HK$ millions	HKAS 28 (h) HK$ millions	HKAS 39 (i) HK$ millions	HKFRS 2 (j) HK$ millions	Total HK$ millions
Shareholders' funds										
Cumulative impact of changes in accounting policies as at 31 December 2003	(69)	(582)	(180)	(27)	(740)	(153)	(293)	–	(4)	(2,048)
Impact on changes in accounting policies on six months ended 30 June 2004										
Profit attributable to shareholders	(572)	(27)	(59)	(4)	36	–	(45)	–	(29)	(700)
Exchange reserves	(1)	(4)	1	1	(18)	4	4	–	–	(13)
Other reserves and retained profit	–	–	–	–	–	–	–	–	27	27
Cumulative impact of changes in accounting policies as at 30 June 2004	(642)	(613)	(238)	(30)	(722)	(149)	(334)	–	(6)	(2,734)
Impact on changes in accounting policies on six months ended 31 December 2004										
Profit attributable to shareholders	(398)	59	(50)	(1)	55	–	17	–	(9)	(327)
Exchange reserves	–	(3)	(1)	(1)	(35)	359	(17)	–	(20)	282
Other reserves and retained profit	–	–	–	–	(315)	–	–	–	27	(288)
Cumulative impact of changes in accounting policies as at 31 December 2004	(1,040)	(557)	(289)	(32)	(1,017)	210	(334)	–	(8)	(3,067)
Minority interests										
Cumulative impact of changes in accounting policies as at 31 December 2004	(98)	(252)	(20)	–	(63)	7	(61)	–	(4)	(491)
Total Equity										
Cumulative impact of changes in accounting policies as at 31 December 2004	(1,138)	(809)	(309)	(32)	(1,080)	217	(395)	–	(12)	(3,558)
Shareholders' funds										
Cumulative impact of changes in accounting policies as at 31 December 2004	(1,040)	(557)	(289)	(32)	(1,017)	210	(334)	–	(8)	(3,067)
Changes in accounting policy in respect of financial instruments	–	–	–	–	–	–	–	(646)	–	(646)

2 Changes in accounting policies (continued)

Increase (decrease)	HKAS 2 (b) HK$ millions	HKAS 16 (c) HK$ millions	HK-INT 2 (d) HK$ millions	HKAS 17 (e) HK$ millions	HKAS 19 and Amendments (f) HK$ millions	HKAS 21 (g) HK$ millions	HKAS 28 (h) HK$ millions	HKAS 39 (i) HK$ millions	HKFRS 2 (j) HK$ millions	Total HK$ millions
Cumulative impact of changes in accounting policies as at 1 January 2005	(1,040)	(557)	(289)	(32)	(1,017)	210	(334)	(646)	(8)	(3,713)
Impact on changes in accounting policies on six months ended 30 June 2005										
Profit attributable to shareholders	(48)	7	(66)	(3)	66	–	7	45	(48)	(40)
Exchange reserves	(1)	7	1	–	(16)	(74)	(4)	–	–	(87)
Other reserves and retained profit	–	145	–	–	–	–	–	(577)	46	(386)
Cumulative impact of changes in accounting policies as at 30 June 2005	(1,089)	(398)	(354)	(35)	(967)	136	(331)	(1,178)	(10)	(4,226)
Minority interests										
Cumulative impact of changes in accounting policies as at 30 June 2005	(103)	(233)	(23)	–	(122)	(4)	(60)	(237)	(4)	(786)
Total Equity										
Cumulative impact of changes in accounting policies as at 30 June 2005	(1,192)	(631)	(377)	(35)	(1,089)	132	(391)	(1,415)	(14)	(5,012)

(iii) Effect on the shareholders' funds and various balance sheet items as at 30 June 2005

Increase (decrease)	HKAS 2 (b) HK$ millions	HKAS 16 (c) HK$ millions	HK-INT 2 (d) HK$ millions	HKAS 17 (e) HK$ millions	HKAS 19 and Amendments (f) HK$ millions	HKAS 21 (g) HK$ millions	HKAS 28 (h) HK$ millions	HKAS 39 (i) HK$ millions	HKFRS 2 (j) HK$ millions	Total as at 30 June 2005 HK$ millions
Fixed assets	–	147	(153)	(32,630)	–	–	–	–	–	(32,636)
Leasehold land	–	–	–	32,640	–	–	–	–	–	32,640
Telecommunications licences	–	–	–	–	–	–	–	(133)	–	(133)
Goodwill and other intangible assets	–	–	–	–	(15)	132	–	–	–	117
Associated companies	–	(11)	(97)	(1)	(44)	–	(391)	(534)	–	(1,078)
Interests in joint ventures	–	(109)	(97)	(34)	10	–	–	(1,701)	–	(1,931)
Other non-current assets	–	–	–	–	–	–	–	(215)	–	(215)
Liquid funds and other listed investments	–	–	–	–	–	–	–	(1,493)	–	(1,493)
Current assets	(1,192)	–	–	–	–	–	–	(16)	–	(1,208)
Total assets	(1,192)	27	(347)	(25)	(49)	132	(391)	(4,092)	–	(5,937)
Trade and other payables	–	656	–	10	(23)	–	–	(2,138)	14	(1,481)
Current borrowings	–	–	–	–	–	–	–	65	–	65
Long term borrowings	–	–	–	–	–	–	–	(1,506)	–	(1,506)
Derivative financial instruments	–	–	–	–	–	–	–	917	–	917
Deferred tax liabilities	–	2	30	–	(171)	–	–	(15)	–	(154)
Pension obligations	–	–	–	–	1,234	–	–	–	–	1,234
Total liabilities	–	658	30	10	1,040	–	–	(2,677)	14	(925)
Net assets	(1,192)	(631)	(377)	(35)	(1,089)	132	(391)	(1,415)	(14)	(5,012)
Shareholders' funds	(1,089)	(398)	(354)	(35)	(967)	136	(331)	(1,178)	(10)	(4,226)
Minority interests	(103)	(233)	(23)	–	(122)	(4)	(60)	(237)	(4)	(786)
Total equity	(1,192)	(631)	(377)	(35)	(1,089)	132	(391)	(1,415)	(14)	(5,012)

(iv) Effect on the shareholders' funds and various balance sheet items as at 31 December 2004 and 1 January 2005

Increase (decrease)	HKAS 2 (b) HK$ millions	HKAS 16 (c) HK$ millions	HK-INT 2 (d) HK$ millions	HKAS 17 (e) HK$ millions	HKAS 19 and Amendments (f) HK$ millions	HKAS 21 (g) HK$ millions	HKAS 28 (h) HK$ millions	HKFRS 2 (j) HK$ millions	Total as at 31 December 2004 HK$ millions	HKAS 39 (i) HK$ millions	Total as at 1 January 2005 HK$ millions
Fixed assets	–	(21)	(151)	(31,124)	–	–	–	–	(31,296)	–	(31,296)
Leasehold land	–	–	–	31,137	–	–	–	–	31,137	–	31,137
Telecommunications licences	–	–	–	–	–	–	–	–	–	(153)	(153)
Goodwill and other intangible assets	–	–	–	–	(15)	170	–	–	155	–	155
Associated companies	–	(15)	(76)	–	(6)	47	(395)	–	(445)	(600)	(1,045)
Interests in joint ventures	–	(103)	(82)	(32)	10	–	–	–	(207)	(2,399)	(2,606)
Other non-current assets	–	–	–	–	–	–	–	–	–	(549)	(549)
Liquid funds and other listed investments	–	–	–	–	–	–	–	–	–	(775)	(775)
Current assets	(1,138)	–	–	–	–	–	–	–	(1,138)	(192)	(1,330)
Total assets	(1,138)	(139)	(309)	(19)	(11)	217	(395)	–	(1,794)	(4,668)	(6,462)
Trade and other payables	–	668	–	13	(9)	–	–	12	684	(2,393)	(1,709)
Current borrowings	–	–	–	–	–	–	–	–	–	105	105
Long term borrowings	–	–	–	–	–	–	–	–	–	(2,544)	(2,544)
Derivative financial instruments	–	–	–	–	–	–	–	–	–	1,071	1,071
Deferred tax liabilities	–	2	–	–	(203)	–	–	–	(201)	(32)	(233)
Pension obligations	–	–	–	–	1,281	–	–	–	1,281	–	1,281
Total liabilities	–	670	–	13	1,069	–	–	12	1,764	(3,793)	(2,029)
Net assets	(1,138)	(809)	(309)	(32)	(1,080)	217	(395)	(12)	(3,558)	(875)	(4,433)
Shareholders' funds	(1,040)	(557)	(289)	(32)	(1,017)	210	(334)	(8)	(3,067)	(646)	(3,713)
Minority interests	(98)	(252)	(20)	–	(63)	7	(61)	(4)	(491)	(229)	(720)
Total equity	(1,138)	(809)	(309)	(32)	(1,080)	217	(395)	(12)	(3,558)	(875)	(4,433)

The following sets out further information on the changes in accounting policies adopted for the financial year beginning 1 January 2005 which have been reflected in these interim accounts. The financial impact of these changes is summarised in note 2(a).

(b) Recognition of losses of handsets delivered to dealers (HKAS 2, Inventories)

In prior years, losses related to handsets delivered to dealers were deferred to match to the economic benefits arising from customer acquisition through the dealers. This deferral and matching treatment as prescribed under Hong Kong Statement of Standard Accounting Practice ("SSAP") 22, Inventories has been eliminated by HKAS 2. With effect from 1 January 2005, in order to comply with HKAS 2, such losses are recognised when the handsets are delivered to dealers. This change in accounting policy has been applied retrospectively.

(c) Site restoration cost (HKAS 16, Property, plant and equipment)

In accordance with HKAS 16 and its current interpretations, site restoration costs incurred as a consequence of acquiring or using the site are included in the cost of an asset. In prior years, such costs were accounted for to the extent it was recognised as a provision. This change in accounting policy has been applied retrospectively.

(d) Hotel properties and golf courses (HK – INT 2, The appropriate policies for hotel properties)

Hotel properties and golf courses are accounted for at cost less accumulated depreciation. The depreciable amount of the hotel and golf course buildings are depreciated over their remaining useful life and, when the hotel property and golf course are located on leasehold land, the carrying amount of the leasehold land is amortised over the shorter of the remaining life of the lease and the remaining useful life. In prior years, hotel properties and golf courses with unexpired lease term of more than 20 years were accounted for at cost, and when the unexpired lease term was 20 years or less, depreciation was provided on the then carrying value over the remaining term of the lease. This change in accounting policy has been applied retrospectively.

5 **Taxation**

	Current taxation HK$ millions	Deferred taxation HK$ millions	Six months ended 30 June 2005 Total HK$ millions	2004 Total HK$ millions
Taxation charge (credit):				
Hong Kong				
Subsidiary companies	**255**	**589**	**844**	420
Associated companies	**190**	**82**	**272**	264
Jointly controlled entities	**42**	**5**	**47**	33
Outside Hong Kong				
Subsidiary companies	**671**	**(5,519)**	**(4,848)**	(1,555)
Associated companies	**319**	**676**	**995**	621
Jointly controlled entities	**145**	**275**	**420**	111
	1,622	**(3,892)**	**(2,270)**	(106)

Hong Kong profits tax has been provided for at the rate of 17.5% (30 June 2004 – 17.5%) on the estimated assessable profits less estimated available tax losses. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the period, the Group recognised deferred tax assets related to the losses of 3G businesses in various countries totalling HK$5,972 million (30 June 2004 – HK$2,627 million as restated).

6 **Profit attributable to shareholders**

Included in profit attributable to shareholders is a surplus of HK$231 million (30 June 2004 – HK$121 million) transferred from revaluation reserve upon disposal of the relevant investments.

7 **Earnings per share**

The calculation of earnings per share is based on profit attributable to shareholders of HK$11,824 million (30 June 2004 – HK$10,758 million, as restated) and on 4,263,370,780 shares in issue during the six months ended 30 June 2005 (30 June 2004 – 4,263,370,780 shares).

8 **Investment properties**

In accordance with accounting standards in place up to 31 December 2004, the Group maintained a policy of conducting an annual professional valuation of its investment properties as at the year end date. Accordingly, the Group's investment properties were not revalued at 30 June 2004. Consequently, in these accounts, investment properties as at 30 June 2004 are stated at their 31 December 2003 valuation in accordance with the transitional provisions of the new HKAS 40. With effect from 1 January 2005, the Group conducts a professional valuation of its investment properties on a semi-annual basis to determine their fair value as at each reported balance sheet date.

9 **Trade and other receivables**

	30 June 2005 HK$ millions	31 December 2004 HK$ millions
Trade receivables	**16,677**	19,002
Other receivables and prepayments	**26,328**	27,257
Derivative financial instruments	**135**	–
	43,140	46,259

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

At end of period, the ageing analysis of the trade receivables is as follows:

Current	**11,138**	14,807
31 – 60 days	**2,267**	2,007
61 – 90 days	**753**	848
Over 90 days	**2,519**	1,340
	16,677	19,002

10 **Trade and other payables**

	30 June 2005 HK$ millions	31 December 2004 HK$ millions
Trade payables	**17,191**	16,860
Other payables and accruals	**42,793**	47,334
Interest free loans from minority interests	**2,052**	1,944
Derivative financial instruments	**253**	–
	62,289	66,138

At end of period, the ageing analysis of the trade payables is as follows:

Current	**12,674**	11,436
31 – 60 days	**2,158**	3,299
61 – 90 days	**1,211**	857
Over 90 days	**1,148**	1,268
	17,191	16,860

GROUP CAPITAL RESOURCES AND LIQUIDITY

During the period, the Group maintained a strong financial position benefiting from the steady and growing cash flow from its established businesses, the cash proceeds received from the disposal of a portion of a mature business and bank and capital market refinancing activities. Cash and liquid investments on hand totalled HK$141,714 million at 30 June 2005, in line with the balance at 31 December 2004 of HK$140,301 million. The Group is currently rated A- by Fitch Ratings, A3 by Moody's, and A- by Standard & Poor's.

The Group's total shareholders' funds reduced by 1% to HK$255,114 million at 30 June 2005 compared to HK$257,774 million at 31 December 2004 mainly due to weaker foreign currencies relative to the Hong Kong dollar which gave rise to a charge directly to reserves of HK$9,908 million on translation of the operations' net assets to the Group's Hong Kong dollar reporting currency. Excluding this unrealised foreign exchange translation loss, total shareholders' funds increased 3%.

Net debt of the Group was HK$174,964 million (31 December 2004 – HK$142,692 million) and the net debt to net total capital ratio was 39% (31 December 2004 – 33%). Unrealized foreign exchange translation loss also adversely affected this ratio and, if excluded, the net debt to net total capital ratio would be 37%. The increase includes funding for the continuing build-up of **3** Group, which for the first half was below our previous expectation and guidance. As these businesses continue to scale, their funding requirements are expected to decrease rapidly through the second half and into 2006. Additionally, more than 60% of the increase in net debt in the first half resulted from acquisition activities, primarily by the established businesses. The increase includes the first-time consolidation of the debts of Partner in Israel following a share buyback as a result of which Partner became a subsidiary of the Group during the period, the acquisition of a 40% interest in North England Gas Distribution Network by CKI, and the acquisition of the Marionnaud retail store chain in France. Net debt to net total capital attributable to the established businesses thus rose to approximately 10% (31 December 2004 – 1%). Net debt to net total capital attributable to the **3** Group businesses was 76% (31 December 2004 – 67%).

The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$12,378 million (31 December 2004 – HK$34,090 million), of which HK$6,973 million (31 December 2004 – HK$21,428 million) related to the **3** Group businesses. Capital expenditures for the ports and related services division amounted to HK$2,268 million (31 December 2004 – HK$4,654 million); for the property and hotels division HK$53 million (31 December 2004 – HK$702 million); for the retail and manufacturing division HK$1,029 million (31 December 2004 – HK$2,331 million); for the energy, infrastructure, finance and investments division HK$80 million (31 December 2004 – HK$99 million) and for HTIL HK$1,975 million (31 December 2004 – HK$4,876 million). The investment in **3** Group's and HTIL's CAC totalled HK$11,045 million (31 December 2004 – HK$21,227 million), consisting of prepaid CAC of HK$5,581 million (31 December 2004 – HK$8,423 million) which was expensed as incurred and postpaid CAC of HK$5,464 million (31 December 2004 – HK$12,804 million) which was capitalised. The Group's capital expenditures were funded primarily from cash generated from operations, cash on hand and, to where appropriate, by external borrowings.

At 30 June 2005, the Group's cash, liquid funds and other listed investments totalled HK$141,714 million (31 December 2004 – HK$140,301 million). At 30 June, 10% were denominated in Hong Kong dollars, 46% in US dollars, 27% in Euros, 1% in British pounds and 16% in other currencies. Cash and cash equivalents represented 56% of the total, listed held-to-maturity fixed income securities 34%, listed equity securities 7% and long-term deposits 3%. The listed held-to-maturity fixed income securities in managed funds comprise US treasury notes (47%), government issued guaranteed notes (23%), supranational notes (16%) and others (14%). More than 80 % of the securities investments in the managed fund portfolio are rated at Aaa/AAA, with an average duration of approximately 3.3 years.

The Group's total borrowings at 30 June 2005 were HK$316,678 million (31 December 2004 – HK$282,993 million). Significant financing activities in the first half of 2005 were as follows:

- In March, Partner issued seven-year, fixed rate New Israeli Shekels 2,500 million (approximately HK$4,500 million) notes to finance the repurchase of its shares and to repay certain existing debts falling due;
- In April, Partner obtained a six-year, floating rate US$550 million (approximately HK$4,290 million) bank loan to refinance existing bank facility;
- In May, HTIL secured a three-year, floating rate HK$6,000 million senior secured credit facility, mainly to refinance existing loans and to fund the operations of its Hong Kong mobile operations;
- In June, issued a ten-year, fixed rate €1,000 million (approximately HK$9,360 million) notes to refinance existing indebtedness;
- In June, Hi3G Access AB obtained a five-year, floating rate SEK10,500 million (approximately HK$10,500 million) term loan, to fund the 3G network operations in Sweden and Denmark; and
- In July, obtained a five-year, floating rate HK$5,000 million syndicated bank loan to refinance existing loans.

The Group's borrowings at 30 June 2005 are denominated and repayable as follows:

	HK$	**US$**	**£**	**€**	**Others**	**Total**
Within 6 months	4%	–	–	–	3%	7%
In 2006	4%	–	1%	2%	3%	10%
In 2007	2%	2%	–	–	1%	5%
In 2008	4%	–	–	3%	4%	11%
In 2009	1%	–	–	6%	4%	11%
In years 6 to 10	–	22%	–	18%	4%	44%
In years 11 to 20	–	1%	1%	3%	–	5%
Beyond 20 years	–	6%	–	–	1%	7%
Total	15%	31%	2%	32%	20%	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. All of the Group's borrowings are free of any credit rating triggers that could accelerate the maturity dates of debt outstanding.

The Group's consolidated gross interest expense after capitalisation for the period, including the **3** Group businesses and the Group's share of associated companies' and jointly controlled entities' interest expense, totalled HK$8,479 million, compared to HK$6,183 million for the comparable period last year. The interest expenses for established businesses increased by 35% to HK$4,282 million, mainly due to the higher loan balance related to the Group's acquisition, as well as higher effective interest rates in 2005. The interest expenses for **3** Group businesses were higher than the comparable period last year by 40%, mainly due to higher loan balances as loan facilities were drawn to fund the operations in Italy, Australia and Sweden.

Consolidated EBITDA before investment in **3** Group's and HTIL's prepaid and postpaid CAC and cash exceptionals increased 54% to HK$23,565 million (30 June 2004 – HK$15,334 million) and funds from operations ("FFO"), before capital expenditure, investment in **3** Group's and HTIL's prepaid and postpaid CAC and changes in working capital, increased 97% to HK$8,860 million (30 June 2004 – HK$4,495 million). EBITDA and FFO from the Group's established businesses, excluding cash exceptionals, totalled HK$24,359 million (30 June 2004 – HK$20,031 million) and HK$13,778 million, (30 June 2004 – HK$11,741 million) respectively. Consolidated EBITDA and FFO including **3** Group's losses covered consolidated net interest expense 4.5 times and 1.7 times respectively (31 December 2004 – 6.9 times and 2.0 times).

At 30 June 2005, the shares of Hutchison 3G Italy owned by the Group were pledged as security for its project financing facilities. The assets of Hutchison 3G Italy translated to Hong Kong dollars at the respective dates, totalled approximately HK$72,305 million (31 December 2004 – HK$83,273 million). In addition, HK$41,892 million (31 December 2004 – HK$41,107 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 30 June 2005, amounted to the equivalent of HK$25,319 million (31 December 2004 – HK$33,656 million), of which HK$14,532 million (31 December 2004 – HK$17,400 million) related to **3** Group businesses.

CONTINGENT LIABILITIES

At 30 June 2005, the Group had provided guarantees for banking and other borrowing facilities granted to associated companies and jointly controlled entities of HK$7,660 million (31 December 2004 – HK$7,442 million), and had provided performance and other guarantees of HK$7,023 million (31 December 2004 – HK$5,994 million) primarily for the Group's telecommunications businesses.

TREASURY POLICIES

The Group's treasury function operates as a centralised service for managing financial risks including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group and its companies. The Executive Directors agree and review the policies and procedures governing the Group's treasury activities, which are subject to periodic review by the Group's internal audit function. Regular treasury reports are provided to the Executive Directors which detail investment and funding activities, including the Group's holdings of cash, managed funds and other portfolio securities, the debt maturity profile, interest rates and currency exposures. Derivative financial instruments such as interest rate and foreign currency swaps are utilised as appropriate for risk management purposes only, for hedging transactions and in managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative financial transactions for speculative purposes.

Funding and Cash Management

The Group operates a central cash management system for all of its unlisted subsidiaries. The Group's holdings of cash, managed funds and other liquid investments expose the Group to a credit risk of the counterparty. The treasury policy sets aggregate credit limits of any one counterparty and regularly reviews these limits and credit ratings of the counterparties. Except for listed and certain overseas entities, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Managing Interest Rate Risk

At 30 June 2005, approximately 57% of the Group's borrowings bore interest at floating rates and the remaining 43% were at fixed rates. When considered appropriate, the Group utilises interest rate swaps and forward rate agreements to manage the Group's interest rate exposures. The Group entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK$96,934 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$11,644 million principal amount of floating interest rate borrowings was swapped to a fixed interest rate borrowing. After taking into consideration these interest rate swaps, at 30 June 2005, approximately 84% of the Group's borrowings bore interest at floating rates and the remaining 16% were at fixed rates.

The Group's main interest rate risk exposures relate to US dollar, Euro and Hong Kong dollar borrowings.

Managing Foreign Currency Risk

For overseas subsidiaries and associates and other investments, which consist of non-HK and non-US dollar assets, the Group generally endeavours to naturally hedge its foreign currency investments with the appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group monitors the development of the businesses' cashflow and debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. For transactions directly related to the underlying businesses, forward foreign exchange contracts 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. At 30 June 2005, the Group had entered into currency swap arrangements with banks to swap US dollar borrowings of HK$2,184 million to non-US dollar borrowings and non-US dollar borrowings of HK$4,488 million to non-US dollar borrowings to match currency exposure of the underlying businesses.

The Group's borrowings at 30 June 2005 were denominated as to 15% in Hong Kong dollars, 31% in US dollars, 2% in British pounds, 32% in Euros and 20% in others currencies.

During the period, the Hong Kong dollar strengthened against the currencies of countries where the Group has operations. This gave rise to an unrealised charge of HK$9,908 million on translation of these operations' net assets to our Hong Kong dollar reporting currency which was reflected as a movement in the Group's reserves in the period.

Credit Loss Risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligations with the result that the Group thereby suffers financial loss. These credit risks are minimised by the Group's internal controls and its procedures for monitoring and reporting credit risks to the Group's management.

EMPLOYEE RELATIONS

At 30 June 2005, the Company and its subsidiaries employed 157,389 people (30 June 2004 – 134,562 people) and the related employee costs for the six-month period, excluding Director's emoluments, totalled HK$12,949 million (30 June 2004 – HK$11,211 million). Including the Group's associated companies, at 30 June 2005 the Group employed 203,258 people of whom 29,938 were 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. Certain Group subsidiaries and associates offer various equity-linked compensation elements appropriate to their sector and market. 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 period for employees on a Group-wide basis. Group employees also participated in community-orientated events.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2005.

GENERAL INFORMATION

The consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2005 have been reviewed by the audit committee of the Company and, in accordance with SAS700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditors, PricewaterhouseCoopers. The audtiors' review report will be included in the Interim Report to Shareholders.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. LI Ka-shing *(Chairman)*
Mr. LI Tzar Kuoi, Victor *(Deputy Chairman)*
Mr. FOK Kin-ning, Canning
Mrs. CHOW WOO Mo Fong, Susan
Mr. Frank John SIXT
Mr. LAI Kai Ming, Dominic
Mr. George Colin MAGNUS
Mr. KAM Hing Lam

Non-executive Director:
Mr. William SHURNIAK

Independent Non-executive Directors:
Mr. Michael David KADOORIE
Mr. Holger KLUGE
Mr. William Elkin MOCATTA
(Alternate to Mr. Michael David Kadoorie)
Mr. Simon MURRAY
Mr. OR Ching Fai, Raymond
Mr. WONG Chung Hin
(Also Alternate to Mr. Simon Murray)

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2 Changes in accounting policies (continued)

(e) Leasehold land (HKAS 17, Leases)

The adoption of HKAS 17, Leases has resulted in a change to the accounting policy relating to the reclassification of leasehold land separate from fixed assets to prepaid operating leases. The up-front prepayments made for the leasehold land are presented on the face of the consolidated balance sheet as leasehold land and expensed in the profit and loss account on a straight line basis over the period of the lease or an expected life of fifty years, whichever is shorter. In prior years, the leasehold land was accounted for at cost or valuation less accumulated depreciation. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the accounts. This change in accounting policy has been applied retrospectively.

(f) Actuarial gains and losses (HKAS 19, Employee benefits and Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures)

Amendment to HKAS 19 provides an option of recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in equity. The Group has elected to take the option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the transitional unrecognised liabilities on initial adoption of SSAP 34 "Employee Benefits". In prior years, cumulative unrecognised net actuarial gains and losses, to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets, were recognised in the consolidated profit and loss account over the average remaining service lives of employees. This change in accounting policy has been applied retrospectively.

(g) Translation of goodwill relating to a net investment in a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate at each balance sheet date. The previous treatment of goodwill as a non-monetary item which was translated at historic exchange rate is not allowed by HKAS 21. This change in accounting policy has been applied retrospectively.

(h) Recognition of losses of associated companies (HKAS 28, Investments in associates)

Share of loss of an associated company is recognised to the extent of the Group's interest in the associated company. The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term receivables and loans that, in substance, form part of the Group's net investment in the associated company. In prior years, the share of loss of an associated company is recognised to the extent of the carrying amount of the investment in the associated company under the equity method. This change in accounting policy has been applied retrospectively.

(i) Financial instruments (HKAS 32, Financial instruments: disclosure and presentation and HKAS 39, Financial instruments: recognition and measurement)

Liquid funds and other listed investments are classified as cash and cash equivalents, listed debt securities, long term deposits and listed equity securities. Listed debt and equity securities which are available for sale are carried at fair value and changes in fair values are dealt with as movements in the investment revaluation reserve. For those listed equity securities re-designated by management as financial assets at fair value through profit or loss, changes in fair value are recognised in the profit and loss account. For those listed debt securities which are held as held-to-maturity investments are carried at amortised cost. These investments are non-derivative financial assets with fixed or determinable payments that the Group's management has the positive intention and ability to hold to maturity. Long term deposits which are loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities and are not quoted in an active market, are carried at amortised cost. In prior years, listed debt securities were presented as listed held-to-maturity debt securities and were carried at amortised cost less provision for impairment in value. For those listed equity securities re-designated by management as financial assets at fair value through profit or loss on 1 January 2005 in accordance with the transitional provisions of HKAS 39, the cumulative changes in fair values as at 1 January 2005 have been recognised as movements in the investment revaluation reserve.

The Group's other unlisted investments, included under other non-current assets, are classified as debt securities, equity securities and infrastructure project investments. Unlisted equity securities which are available for sale are carried at fair value and changes in fair value are dealt with as movements in the investment revaluation reserve. Unlisted debt securities and investments in infrastructure projects with fixed or determinable payments and not quoted in an active market are non-derivative financial assets and recognised as loans and receivables . These long term investments are carried at amortised costs and are measured using the effective interest method. In prior years, other unlisted debt securities were classified under either unlisted held-to-maturity debt securities or unlisted equity securities and advances. These unlisted investments were carried at amortised cost less provision for impairment in value. Investments in infrastructure projects were classified as other joint ventures under interests in joint ventures and were amortised over the relevant contract period on a straight line basis.

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. Changes in the fair value of these derivatives, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the profit and loss account.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised liabilities may qualify as cash flow hedges. Changes in the fair value of these derivatives are dealt with as movements in hedging reserve.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the profit and loss account. In prior years, derivative financial instruments for hedging the foreign currency risk of a committed future transaction were recognised on a cash basis. For foreign currency swap agreements entered into for managing exchange rate exposures on certain foreign currency debt instruments, these debt instruments were translated at the contracted swap rates. For interest rate swap agreements entered into for managing the fixed and floating interest rate mix of the Group's total debt portfolio, these derivatives were not recognised on the balance sheet.

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method. In prior years, borrowings and debt instruments were stated at the nominal principal balance and the initial transaction costs incurred were capitalised and included under other non-current assets. The transaction costs were amortised on a straight line basis over the period of the borrowings.

HKAS 39 does not allow retrospective application and the Group applied the previous SSAP 24, Accounting for investments in securities for the 2004 comparative information. No comparatives have been restated and the transitional reclassification adjustments are determined and recorded as at 1 January 2005 and are shown in the Consolidated Statement of Changes in Equity as "Adjustments in respect of changes in accounting policies for financial instruments" and new accounting policies and reclassification of the financial assets and liabilities resulting from the adoption of HKAS 39 are effective from 1 January 2005.

(j) Employee share option scheme (HKFRS 2, Share-based payment)

The Group recognises the fair value of share options granted to employees as an expense in profit and loss and a corresponding increase in retained profit within equity. As a transitional provision, the cost of share options granted after 7 November 2002 and had not vested on 1 January 2005 was expensed retrospectively in the profit and loss of the respective years. In the prior years, the provision of share options to employees did not result in an expense in profit and loss.

(k) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company. In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets, and minority interests in the results of the Group were presented in the consolidated profit and loss account separately as a deduction before arriving at the profit attributable to shareholders.

At the date of authorisation of these interim accounts, the following standards and interpretations were in issue but not yet effective:

HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS Interpretation 4	Determining whether an arrangement contains a lease
HKFRS Interpretation 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation

The Group has already commenced an assessment of the impact of these new HKFRS pronouncements which are not yet effective and have not been early adopted by the Group. The adoption of these new HKFRS is not expected to result in substantial changes to the Group's accounting policies.

3 Segment information

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

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Property and hotels is HK$150 million (30 June 2004 – HK$165 million), Retail and manufacturing is HK$97 million (30 June 2004 – HK$123 million) and Hutchison Telecommunications International is HK$9 million (30 June 2004 – HK$6 million).

The column headed as Company and Subsidiaries refers to the Company's 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.

Telecommunications – **3** Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland and the 2G and 3G operations in Australia.

3 Segment information (continued)

Business segment

	Turnover from external customers							
	Six months ended 30 June 2005				Six months ended 30 June 2004			
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**Total HK$ millions**	**Percentage** [f]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Percentage [f]
ESTABLISHED BUSINESSES								
Ports and related services	**12,805**	**1,589**	**14,394**	**15%**	11,116	1,500	12,616	16%
Property and hotels	**2,058**	**1,349**	**3,407**	**4%**	2,312	1,636	3,948	5%
Retail and manufacturing	**37,040**	**4,827**	**41,867**	**46%**	31,532	2,803	34,335	44%
Cheung Kong Infrastructure	**1,263**	**6,468**	**7,731**	**8%**	1,228	5,793	7,021	9%
Husky Energy	**–**	**10,280**	**10,280**	**11%**	–	8,901	8,901	12%
Finance and investments	**2,375**	**199**	**2,574**	**3%**	2,213	164	2,377	3%
Hutchison Telecommunications International	**10,757**	**918**	**11,675**	**13%**	6,921	1,671	8,592	11%
Subtotal – established businesses	**66,298**	**25,630**	**91,928**	**100%**	55,322	22,468	77,790	100%
TELECOMMUNICATIONS – 3 Group	**17,256**	**–**	**17,256**		4,411	–	4,411	
	83,554	**25,630**	**109,184**		59,733	22,468	82,201	

	EBIT (LBIT) [a]							
	Six months ended 30 June 2005				Six months ended 30 June 2004			
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**Total HK$ millions**	**Percentage** [f]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions	Percentage [f]
ESTABLISHED BUSINESSES								
Ports and related services	**4,105**	**606**	**4,711**	**17%**	3,427	555	3,982	14%
Property and hotels	**925**	**888**	**1,813**	**7%**	1,142	553	1,695	6%
Retail and manufacturing	**631**	**274**	**905**	**3%**	1,003	497	1,500	5%
Cheung Kong Infrastructure	**576**	**2,546**	**3,122**	**12%**	504	2,264	2,768	10%
Husky Energy	**–**	**2,439**	**2,439**	**9%**	–	1,276	1,276	4%
Finance and investments	**2,445**	**139**	**2,584**	**10%**	2,740	99	2,839	10%
Hutchison Telecommunications International	**1,095**	**205**	**1,300**	**5%**	(607)	410	(197)	(1)%
	9,777	**7,097**	**16,874**	**63%**	8,209	5,654	13,863	48%
Change in fair value of investment properties [b]	**3,570**	**927**	**4,497**	**17%**	–	–	–	0%
Subtotal – established businesses before profit on elimination of minority interests and disposal of investments	**13,347**	**8,024**	**21,371**		8,209	5,654	13,863	
TELECOMMUNICATIONS – 3 Group [c]								
LBIT before depreciation, amortisation and prepaid 3G CAC expense	**(794)**	**–**	**(794)**		(4,697)	–	(4,697)	
Prepaid 3G CAC expense	**(5,581)**	**–**	**(5,581)**		(1,284)	–	(1,284)	
LBIT before depreciation and amortisation and after prepaid 3G CAC expense	**(6,375)**	**–**	**(6,375)**		(5,981)	–	(5,981)	
Depreciation	**(4,937)**	**–**	**(4,937)**		(3,745)	–	(3,745)	
Amortisation of licence fees	**(2,930)**	**–**	**(2,930)**		(2,752)	–	(2,752)	
Amortisation of postpaid 3G CAC	**(5,779)**	**–**	**(5,779)**		(1,812)	–	(1,812)	
Subtotal – **3** Group before profit on elimination of minority interests and disposal of investments	**(20,021)**	**–**	**(20,021)**		(14,290)	–	(14,290)	
PROFIT ON ELIMINATION OF MINORITY INTERESTS AND DISPOSAL OF INVESTMENTS								
Established businesses [d]	**5,500**	**–**	**5,500**	**20%**	15,059	–	15,059	52%
Telecommunications – **3** Group [e]	**9,400**	**–**	**9,400**		–	–	–	
	8,226	**8,024**	**16,250**	**100%**	8,978	5,654	14,632	100%

Geographical segment

	Turnover from external customers					
	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**17,806**	**5,346**	**23,152**	17,400	5,071	22,471
Mainland China	**5,942**	**2,455**	**8,397**	4,819	3,636	8,455
Asia and Australia	**16,323**	**3,659**	**19,982**	10,710	4,027	14,737
Europe	**39,962**	**3,817**	**43,779**	23,465	751	24,216
Americas and others	**3,521**	**10,353**	**13,874**	3,339	8,983	12,322
	83,554	**25,630**	**109,184**	59,733	22,468	82,201

	EBIT (LBIT) [a]					
	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	Total HK$ millions
Hong Kong	**5,362**	**2,630**	**7,992**	2,320	2,080	4,400
Mainland China	**1,745**	**1,606**	**3,351**	1,343	1,046	2,389
Asia and Australia	**675**	**1,141**	**1,816**	(1,128)	1,210	82
Europe	**(15,623)**	**173**	**(15,450)**	(10,270)	13	(10,257)
Americas and others	**1,167**	**2,474**	**3,641**	1,654	1,305	2,959
	(6,674)	**8,024**	**1,350**	(6,081)	5,654	(427)
Profit on elimination of minority interests and disposal of investments [d] & [e]	**14,900**	**–**	**14,900**	15,059	–	15,059
	8,226	**8,024**	**16,250**	8,978	5,654	14,632

(a) EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and taxation.

(b) Investment properties as at 30 June 2004 were not revalued and are stated at their 31 December 2003 valuation in accordance with the transitional provisions of the HKAS 40.

(c) Included in LBIT of Telecommunications – **3** Group for the six months ended 30 June 2004 were contributions from key suppliers totalling HK$3,381 million which resulted from discussions with some of our key 3G suppliers regarding the adverse effects of delays and the small beginning of the year customer base on revenues and costs.

(d) Profit on elimination of minority interests and disposal of investments – established businesses for the six months ended 30 June 2005 includes a profit of HK$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong). The comparative amounts for the six months ended 30 June 2004 represent a profit of HK$13,759 million on the disposal of Procter & Gamble-Hutchison and a profit of HK$1,300 million from the disposal of a portion of shares in Hutchison Global Communications Holdings by way of share placement.

(e) Profit on elimination of minority interests and disposal of investments – Telecommunications – **3** Group for the six months ended 30 June 2005 includes a profit of HK$9,400 million arising from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to their net asset value.

(f) The percentages shown represent the contributions to total turnover and EBIT of established businesses.

4 Interest and other finance costs

	Six months ended 30 June	
	2005 HK$ millions	2004 HK$ millions
Company and subsidiary companies	**7,393**	5,328
Less: interest capitalised	**(244)**	(432)
	7,149	4,896
Share of associated companies	**1,122**	1,059
Share of jointly controlled entities	**208**	228
	8,479	6,183

Telecommunications – 3 Group

Since the annual results announcement in March 2005, I am pleased to report that the **3** Group has continued to achieve both above market expectation customer take-up and above market average customer revenue and service margins as migration of the most valuable 2 and 2.5G cellular customers to 3G services has accelerated in all of their markets.

Gross customer additions of the **3** Group and HTIL's 3G businesses in the second quarter were approximately 1.9 million, 12% ahead of the first quarter of this year and 70% ahead of the second quarter of 2004. **3** Group's gross revenues for the first half increased by 291% over the first half of 2004 to HK$17,256 million. As customer usage of the unique 3G-services continues to gather pace, in addition to achieving higher than cellular market average revenue per customer, the **3** Group's average non-voice revenue per customer at 23% of total revenue per customer is ahead of cellular market averages. Because service margins (revenue less direct costs) from non-voice services are significantly higher than from voice services, the value of the **3** Group's customer base is rising much more rapidly than its market share, measured by customer numbers or revenues.

Operating costs and customer acquisition costs in the **3** Group have remained well managed, and are setting new benchmarks for the mobile industry. As a result, the **3** Group's largest operations, **3** Italy and **3** UK are fully on track to achieve a major milestone: EBITDA breakeven after all CAC on a month-by-month basis in the second half of this year, and Hutchison Telecommunications Australia is expected to achieve this target early next year. In fact, **3** Italy is on target to achieve this milestone for the month of August. I also continue to expect the **3** Group as a whole to achieve EBITDA breakeven on a month-by-month basis during the second half of this year.

The combination of running operating cost initiatives and capital cost savings has resulted in the **3** Group's actual funding requirements for the first half of this year being below previous expectations and guidance. As a result, I am confident that the **3** Group's declining funding requirements in the second half will be more than covered by the Group's overall cash generation. Looking forward, with the **3** Group's funding requirements declining on an accelerating basis in the second half of this year and disappearing entirely in 2006, the **3** Group businesses should no longer result in an upward pressure on the Group's overall net debt and gearing profile, and are positioned to contribute significant value to the Group.

In order to set an early market benchmark for the growing value of the Group's investment in the **3** Group businesses, our Italian operation is taking all steps necessary to be in a position to achieve an initial public offering and listing of shares, market conditions permitting. A successful offering at an enterprise value in excess of the total enterprise cost of the operation, would contribute both a dilution profit to the Group and a substantial reduction in the net debt attributable to this operation currently reflected in Group's consolidated net debt.

Key Business Indicators

Current key business indicators for the **3** Group businesses are:

	Registered 3G Customers at 24 Aug 2005 ('000)	12-month Average Revenue per User ("ARPU") (1) to 30 June 2005		Mix of Postpaid/Prepaid Customers (ratio)
		Local Currency/ HK$	Non-voice ARPU %	
Australia (2)	576	A$84.43/500.48	19%	88/12
Austria	265	€56.17/560.14	13%	67/33
Italy	4,522	€35.78/356.93	26%	13/87
Sweden & Denmark	417	SEK396.33/433.13	13%	78/22
UK	3,214	£33.83/491.01	22%	53/47
3 Group Total/Average	8,994	€43.11/429.76	23%	37/63
Hong Kong	383			
Israel (2)	35			
Total	9,412			

Note 1: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average active customers, where an active customer is one that has used the 3G-service in the last 3 months

Note 2: Registered customers at 30 June 2005 as reported by these listed subsidiaries in their interim results announcements

With the rapid expansion of its customer base, the **3** Group's average revenue per customer has declined since the annual results announcement in March 2005, an anticipated development as they broaden their customer base. Although ARPU has reduced, gross margin continued to improve due to increased penetration and usage of unique higher margin 3G non-voice services. In addition, management seeks to maintain and grow margins by lowering average customer acquisition costs and focusing on maintaining lower running operating costs and costs to serve.

Unit average customer acquisition costs for the first half of €274 was in line with the last half of 2004. However, the value of customers acquired was higher than 2004 as the Group's mix of postpaid to prepaid customers improved, particularly in the UK, Australia and also Italy. In the **3** Group's UK operations, which experiences the Group's highest difference between postpaid and prepaid customer acquisition costs and customer value, the mix improvement has been higher than the Group's average, and has improved from 45% / 55% to 53% / 47%. The Group has secured an attractive range of handsets under bulk orders to meet the second half demand at much lower prices than in the first half. This will contribute to lower overall unit average customer acquisition costs in the second half of this year.

Finally, **3** Group has adopted a pro-active management approach to deduct inactive start-up phase customers (mostly prepaid) from the customer base. As a result, the **3** Group's net customer additions for the second quarter were lower than net additions reported in my last report. This is expected to be largely a one-time effect attributable to the poorer quality of handsets available to mainly prepaid customers during the early start-up stages of the business. As a result, the revenue, margin and activity profile of our current customer base of over 9.4 million is significantly above industry averages. I expect the rate of net customer additions to resume in the second half and significantly out perform the first quarter and first half achievement.

Key earnings reported for the **3** Group are:

- LBITDA before prepaid CAC of HK$794 million, an 83% reduction or HK$3,903 million improvement over the first half of 2004 LBITDA before prepaid CAC of HK$4,697 million and a 77% reduction or HK$2,649 million improvement over the second half of 2004.
- Reported LBITDA, after deducting prepaid customer acquisition costs, of HK$6,375 million, a 7% or HK$394 million increase compared to the first half of 2004 reported LBITDA of HK$5,981 million, reflecting a 220% increase in prepaid customer additions in 2005, mainly in Italy, and a 40% or HK$4,207 million improvement over the second half of 2004 reported LBITDA of HK$10,582 million.
- LBIT of HK$10,621 million, a 26% or HK$3,669 million improvement over the first half of 2004 reported LBIT of HK$14,290 million and a 56% or HK$13,473 million improvement over the second half of 2004 reported LBIT of HK$24,094 million.
- NLAT of HK$5,348 million, a 49% or HK$5,066 million improvement over the first half of 2004 reported NLAT of HK$10,414 million and a 66% or HK$10,340 million improvement over the second half of 2004 report NLAT of HK$15,688 million.

It should be noted that reported LBIT reflects a one-time profit of HK$9,400 million, relating to the re-purchase during the period of interests in the **3** UK from KPN Mobile and NTT DoCoMo at a deep discount. Reported NLAT reflects the above profit and, *inter alia*, deferred tax credits of HK$5,978 million and a decrease in minority interest credits of HK$622 million, also related to the re-purchase of the minority shareholder interests in **3** UK as well as unfavourable foreign exchange movement of HK$606 million.

Outlook

The world economy generally continued to improve during the period, despite higher interest rates and sustained high oil and commodity prices and the increased threat of terrorism. The Mainland, Hong Kong, India and other Asian countries continue to report healthy economies despite some signs of slowing growth relative to 2004. Generally, consumer confidence in Europe and America has remained strong and supports the continuing strength in import export trade globally and domestic consumption led growth locally in most of our markets.

The results of the first half of 2005 reflect both the Group's solid financial foundation and the strong financial performance of our core businesses under improved market conditions. In addition, the Group benefits from strong oil prices through its investments in Husky. Our rapid expansion over the past several years has positioned us to capture significant growth, as evidenced in particular by the increase in the Group's turnover and EBITDA before exceptional items from the established businesses which grew 18% to HK$91,928 million and 22% to HK$24,359 million, respectively. It should be noted that in terms of both cash and profit generation, these businesses have more than doubled in size since 1999. As the **3** Group's losses narrow, the full benefit of the scale the Group has achieved will be progressively reflected in earnings growth, continuous reduction in debt levels and improvement to the financial profile, and in solid shareholder value creation. With these encouraging trends and the Group's strong financial position, I am confident that the Group will continue to perform well. I would like to thank the Board of Directors and all employees around the world in all of our businesses for their loyal support and dedication, their professionalism, enterprise and hard work.

Li Ka-shing
Chairman

Hong Kong, 25 August 2005

Condensed Consolidated Profit and Loss Account
for the six months ended 30 June 2005

	Note	Unaudited 2005 HK$ millions	As restated Note 2(a) 2004 HK$ millions
Turnover			
Company and subsidiary companies		**83,554**	59,733
Share of associated companies and jointly controlled entities		**25,630**	22,468
	3	**109,184**	82,201
Company and subsidiary companies			
Turnover	3	**83,554**	59,733
Cost of inventories sold		**(28,267)**	(24,042)
Staff costs		**(12,147)**	(10,337)
Prepaid 3G telecommunications customer acquisition expense		**(5,581)**	(1,284)
Depreciation and amortisation		**(17,968)**	(11,465)
Other operating expenses		**(29,835)**	(18,686)
Change in fair value of investment properties	3(b)	**3,570**	–
Profit on elimination of minority interests and disposal of investments	3(d) & (e)	**14,900**	15,059
	3	**8,226**	8,978
Share of profits less losses of associated companies [a]		**5,249**	4,391
Share of profits less losses of jointly controlled entities [a]		**1,848**	1,263
Share of change in fair value of investment properties of jointly controlled entities	3(b)	**927**	–
Earnings before interest expense and taxation [b]	3	**16,250**	14,632
Interest and other finance costs [c]	4	**(8,479)**	(6,183)
Profit before taxation		**7,771**	8,449
Current taxation charge [c]	5	**(1,622)**	(1,576)
Deferred taxation credit [c]	5	**3,892**	1,682
Profit after taxation		**10,041**	8,555
Allocated as: Loss attributable to minority interests		**(1,783)**	(2,203)
Profit attributable to shareholders	6	**11,824**	10,758
Earnings per share	7	**HK$ 2.77**	HK$ 2.52
Interim dividend		**2,174**	2,174
Interim dividend per share		**HK$ 0.51**	HK$ 0.51

a Share of profits less losses of associated companies/jointly controlled entities is before change in fair value of investment properties, interest expense and other finance costs and taxation.

b Earnings before interest expense and taxation ("EBIT") is defined as earnings before interest expense and other finance costs and taxation. Information concerning EBIT has been included in the Group's condensed consolidated accounts and is used by many industries and investors as one measure of profit from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to profit from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

c Includes share of associated companies' and jointly controlled entities' respective items.

Condensed Consolidated Balance Sheet
at 30 June 2005

	Note	Unaudited 30 June 2005 HK$ millions	As restated Note 2(a) 31 December 2004 HK$ millions
ASSETS			
Non-current assets			
Fixed assets			
Investment properties	8	**35,880**	31,741
Other properties and other fixed assets		**145,994**	147,900
Leasehold land		**32,639**	31,137
Telecommunications licences		**94,526**	102,138
Telecommunications 3G customer acquisition costs		**5,503**	6,823
Goodwill and other intangible assets		**22,708**	10,396
Associated companies		**57,301**	54,887
Interests in joint ventures		**37,668**	35,756
Deferred tax assets		**24,193**	19,384
Other non-current assets		**5,960**	8,230
Liquid funds and other listed investments		**62,810**	66,503
		525,182	514,895
Current assets			
Cash and cash equivalents		**78,904**	73,798
Trade and other receivables	9	**43,140**	46,259
Stocks		**18,814**	17,489
		140,858	137,546
Current liabilities			
Trade and other payables	10	**62,289**	66,138
Current borrowings		**31,489**	23,118
Current tax payables		**2,525**	1,898
		96,303	91,154
Net current assets		**44,555**	46,392
Total assets less current liabilities		**569,737**	561,287
Non-current liabilities			
Long term borrowings		**285,189**	259,875
Derivative financial instruments		**917**	–
Deferred tax liabilities		**12,751**	11,692
Pension obligations		**2,232**	2,424
		301,089	273,991
Net assets		**268,648**	287,296
CAPITAL AND RESERVES			
Share capital		**1,066**	1,066
Reserves		**254,048**	256,708
Shareholders' funds		**255,114**	257,774
Minority interests		**13,534**	29,522
Total equity		**268,648**	287,296