

Hutchison Global Communications Holdings Limited
Interim Report 2004



A member company of
Hutchison Whampoa Limited



CORPORATE INFORMATION

Chairman

FOK Kin-ning, Canning, BA, DFM, ACA (Aus)

Deputy Chairman

LAI Kai Ming, Dominic, BSc, MBA
(Also as alternate to Fok Kin-ning, Canning
and Chan Wen Mee, May)

Executive Directors

CHOW WOO Mo Fong, Susan, BSc

Frank John SIXT, MA, LLL

LUI Pok Man, Dennis, BSc

WONG King Fai, Peter, MSc, FHKIE

Chief Executive Officer

KAN Ka Wing, Frankie, BA, ACA

Chief Financial Officer

CHAN Wen Mee, May, BBA

(Also as alternate to Lai Kai Ming, Dominic
and Chow Woo Mo Fong, Susan)

LAM Hon Nam, BSc

LOH Tiak Koon, BEng

Non-executive Directors

Tuan LAM, BS, MBA

Stephen INGRAM, Grad. Dip.

YANG Paul Chunyao, BS, MBA, MS

(Alternate to Stephen Ingram and Tuan Lam)

Independent Non-executive Directors

LAM Lee G. *, BSc, MSc, MBA, DPA, PhD

CHEONG Ying Chew, Henry *, BSc, MSc

* *Members of Audit Committee*

Company Secretary

Edith SHIH, BSE, MA, MA, EdM

Auditors

Ernst & Young

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Maybank

Registered Office

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Hamilton HM 11

Bermuda

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Bermuda Principal Share Registrars

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

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Pembroke

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Hong Kong Branch Share Registrars

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor

Hopewell Centre

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Hong Kong

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CHAIRMAN'S STATEMENT

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

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

HALF YEAR RESULTS

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

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

DIVIDEND

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

OPERATIONS

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

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

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

² Hutchison Global Communications Investments Limited and its subsidiaries and partnership

³ PowerCom Network Hong Kong Limited and its subsidiaries

Telecommunications

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

Highlights of performance for the division are as follows:

- Local voice revenue increased 17% over the first half of last year. The number of residential voice subscribed lines grew by 6% from the beginning of the year reaching approximately 225,000 as at 30 June 2004. The commercial voice business continued to capture new customers in both the private and public sectors.
- The division's residential broadband services are offered via in-building connection using either telecommunications cables or electric power grids. As at the end of June 2004, broadband subscribers under both provisioning methods reached approximately 146,000, representing an increase of 22% since the start of this year. Revenue grew by 48% compared to first six months in 2003.
- The local data business provides quality and reliable services to mobile operators, large corporations, telecommunications carriers, SMEs and internet service providers. Comparing the active bandwidth sold at 30 June 2004 to that at 31 December 2003, a growth rate of over 10% was achieved.
- Progress has been made in all areas of the division's international bandwidth business including International Private Leased Circuit, Internet Protocol ("IP") transit and Indefeasible Right of Use sales. Revenue surged by 122% over last year. Major milestones achieved by the Group in the first half of 2004 were as follows:
 - Established a 10Gbit/s (gigabits per second) Mainland-Hong Kong connection with China Netcom International Corporation Ltd. Together with the Group's existing 12.5Gbit/s direct fibre connection with China Telecom Corporation, this has increased the Group's total Mainland-Hong Kong network capacity to 22.5Gbit/s, making it capable of delivering one of the largest cross-border bandwidth amongst all the operators with direct fibre land links to the Mainland.
 - Obtained a Certificate of Hong Kong Service Supplier under CEPA which opens up various business opportunities currently being explored.
 - Launched the world's first Ethernet to Ethernet services in co-operation with top broadband carriers in Korea and Taiwan. The Group's Internet Protocol Virtual Private Network services can now reach over 40 cities in the world through direct connections or partnership arrangements.
- The division's retail IDD business and wholesale international voice services with other carriers registered very strong growth in the first half of 2004. The total handled voice traffic grew from 190 million minutes in the first half of 2003 to 440 million minutes this year.

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

IT Solutions

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

OUTLOOK

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

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

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

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

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

Fok Kin-ning, Canning

Chairman

Hong Kong, 16 August 2004

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

GROUP CAPITAL RESOURCES AND LIQUIDITY

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

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

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

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

TREASURY POLICIES

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during this period.

PLEDGE OF ASSETS

As at 30 June 2004, other than the pledged deposits which were disclosed on the consolidated balance sheet, certain of the Group's leasehold land and buildings with a net book value of HK\$11,677,000 and investment properties with carrying value of HK\$19,410,000 were pledged as security for banking facilities granted to the Group. The net book value of the Group's fixed assets held under finance leases amounted to HK\$153,000.

EMPLOYEES AND REMUNERATION POLICIES

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

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

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

Long positions in the shares/underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Approximate % of shareholding
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	10,000,000 (Note 1)	–	0.14%
Lam Hon Nam	(i) Beneficial owner (ii) Interest of a controlled corporation (iii) Beneficial owner	(i) Personal interest (ii) Corporate interest (iii) Personal interest	400,000 54,162,000 –	–) –) 800,000)	–) –) 0.80%
Lok Tiak Koon	(i) Beneficial owner (ii) Beneficial owner	(i) Personal interest (ii) Personal interest	500,000 –	–) 20,000,000)	–) 0.30%

Notes:

- Such shares were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.
- Such shares were held by Lam Ma & Wai Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Lam Hon Nam.

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations

(A) Long positions in the shares/underlying shares of Hutchison Whampoa Limited ("HWL")

Name of Director	Capacity	Nature of interests	Number of shares of HWL held	Number of underlying shares of HWL held	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	2,410,875 (Note 1)	757,939 (Note 2)	0.0743%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	–	0.0012%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	–	0.0035%
Frank John Sixt	Beneficial owner	Personal interest	50,000	–	0.0012%
Wong King Fai, Peter	Interest of spouse	Family interest	22,000	–	0.0005%

Notes:

- Such shares in HWL were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.
- Such underlying shares in HWL were the maximum number of shares that might be interested in under the US\$5,000,000 Notes due 2005 issued by BNP Paribas and were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.

(B) Long positions in the shares, underlying shares and debentures of other associated corporations

As at 30 June 2004, Mr. Fok Kin-ning, Canning had the following interests:

- (i) interests in an aggregate of 2,574,001 ordinary shares and underlying shares in Hutchison Telecommunications (Australia) Limited (“HTAL”) comprising:
 - (a) personal and corporate interests in 100,000 and 1,000,000 ordinary shares respectively which in aggregate represented approximately 0.16% of the then issued share capital of HTAL; and
 - (b) personal and corporate interests in 134,000 and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by HTAL;
- (ii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.07% of the then issued share capital, in Hutchison Harbour Ring Limited;
- (iii) corporate interests in a nominal amount of EUR20,900,000 in the 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited; and
- (iv) corporate interests in a nominal amount of USD6,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited.

Mr. Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally owned by Mr. Fok and his spouse.

Mr. Lam Hon Nam in his capacity as a beneficial owner had, as at 30 June 2004, personal interests in (i) 918,800 non-voting deferred shares, which represented approximately 45.94% of the then issued share capital, in Vanda Computer & Equipment Company Limited, (ii) 229,700 non-voting deferred shares, which represented approximately 45.94% of the then issued share capital, in Vanda Instrument & Equipment Company Limited; and (iii) 150,000 non-voting deferred shares, which represented approximately 50% of the then issued share capital, in Vanda Systems & Communications Limited.

Save as disclosed above, as at 30 June 2004, none of the directors and chief executives of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the SEHK.

Certain directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

(a) 1995 Option Scheme

Pursuant to an ordinary resolution passed on 22 March 1995, the Company adopted a share option scheme (the "1995 Option Scheme") for the purpose of providing incentive and rewards to eligible participants. On 2 April 2002, the 1995 Option Scheme was terminated and replaced by a new option scheme adopted by the Company on 2 April 2002. Upon the termination of the 1995 Option Scheme, no further options would be offered pursuant thereto, however the 1995 Option Scheme will in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted pursuant thereto (the "Outstanding Options"). The Outstanding Options will continue to be valid and exercisable in accordance with the rules of the 1995 Option Scheme.

Particulars of the outstanding share options under the 1995 Option Scheme during the six months ended 30 June 2004 are as follows:

Name or category of participant	Date of grant of share options*	Number of share options at 1 January 2004	Exercised during the six months ended 30 June 2004	Expired during the six months ended 30 June 2004	Number of share options at 30 June 2004	Exercise period of share options	Price of Company's share ***		
							Exercise price of share options** HK\$	At the date of grant of share options HK\$	At the date of exercise of share options HK\$
Directors									
Lam Hon Nam	12.7.2000	1,000,000	-	(1,000,000)	-	13.1.2001 to 12.1.2004	2.20	2.75	-
	2.5.2001	800,000	-	-	800,000	2.11.2001 to 1.11.2004	0.81	1.02	-
		1,800,000	-	(1,000,000)	800,000				
Other employees									
In aggregate	12.7.2000	3,620,000	-	(3,620,000)	-	12.1.2001 to 11.1.2004	2.20	2.75	-
	2.5.2001	3,170,000	(1,700,000)	(526,000)	944,000	2.11.2001 to 1.11.2004	0.81	1.02	1.05
		6,790,000	(1,700,000)	(4,146,000)	944,000				
Total:		8,590,000	(1,700,000)	(5,146,000)	1,744,000				

* The vesting period of the above outstanding share options is from the date of the grant until the commencement of the exercise period and only 50% of the options may be exercised within the first year from the date on which the options are accepted.

** The exercise price of the share options is subject to adjustment, in accordance with the provisions of the share option scheme, in the event of an alteration in the capital structure of the Company.

*** The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the shares disclosed as at the date of exercise of share options is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

As at 30 June 2004, the Company had 1,744,000 share options outstanding under the 1995 Option Scheme.

The options are exercisable for a period of three years commencing on the expiry of six months after the date on which the option was accepted, provided that no options may be exercised after 21 March 2005.

(b) 2002 Option Scheme

Pursuant to an ordinary resolution passed on 2 April 2002, a share option scheme (the “2002 Option Scheme”) was adopted whereby the Directors of the Company, at their discretion, are authorized to invite eligible participants to take up options to subscribe for shares not exceeding 10% of the issued share capital of the Company at the date of approval of the limit by the Company in general meeting. The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Option Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company (or its subsidiaries) in issue from time to time. The 2002 Option Scheme will remain in force for 10 years commencing on 2 April 2002.

Particulars of the outstanding share options under the 2002 Option Scheme during the six months ended 30 June 2004 are as follows:

Name or category of participant	Date of grant of share options*	Number of share options at 1 January 2004	Exercised during the six months ended 30 June 2004	Cancelled/ Expired during the six months ended 30 June 2004	Number of share options at 30 June 2004	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's share at grant date of share options*** HK\$
Directors								
Loh Tiak Koon	2.4.2002	20,000,000	-	-	20,000,000	3.4.2003 to 2.4.2006	0.886	0.880
Other employees								
In aggregate	2.5.2002	9,850,000	-	(3,000,000)	6,850,000	2.5.2003 to 1.5.2006	0.940	0.930
	2.5.2003	7,250,000	-	-	7,250,000	2.5.2004 to 1.5.2007	0.340	0.315
	16.5.2003	4,750,000	-	(2,500,000)	2,250,000	16.5.2004 to 15.5.2007	0.410	0.410
		21,850,000	-	(5,500,000)	16,350,000			
Total:		41,850,000	-	(5,500,000)	36,350,000			

* The options are exercisable, subject to the vesting scale, commencing on the date on which the options are accepted to the earlier of the options lapses and the date falling four years from the date of grant of the options. One third of the options are vested on the first anniversary of the date of grant and one-thirty sixth of which are vested equally on a monthly basis thereafter.

** The exercise price of the share options is subject to adjustment, in accordance with the provisions of the share option scheme, in the event of an alteration in the capital structure of the Company.

*** The price of the shares disclosed as at the date of grant of the share options was the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

As at 30 June 2004, the Company had 36,350,000 share options outstanding under the 2002 Option Scheme.

No value in respect of the share options granted during the period has been charged to the profit and loss account.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any directors or the chief executives of the Company, as at 30 June 2004, other than the interests and short positions of the directors or the chief executives of the Company as disclosed above, the following persons had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(I) Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate % of shareholding
Hutchison Global Communications Investment Holding Limited ("HGCIHL")	Beneficial Owner	3,057,000,000 (Note 1)	3,333,333,333 (Note 1)	92.59%
Hutchison Telecommunications Limited ("HTL")	Interest of a controlled corporation	3,057,000,000 (Note 1)	3,333,333,333 (Note 1)	92.59%
Hutchison International Limited ("HIL")	(i) Beneficial owner (ii) Interest of controlled corporations	569,888,793 3,057,000,000 (Note 1)	– 4,374,999,999 (Notes 1 & 2)	115.94%
Mangere International Limited ("Mangere")	Beneficial owner	–	1,041,666,666 (Note 2)	15.09%
HWL	Interest of controlled corporations	3,626,888,793 (Note 3)	4,374,999,999 (Notes 1 & 2)	115.94%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	3,875,632,628 (Note 4)	4,374,999,999 (Note 4)	119.55%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	3,875,632,628 (Note 5)	4,374,999,999 (Note 5)	119.55%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	3,875,632,628 (Note 6)	4,374,999,999 (Note 6)	119.55%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	3,875,632,628 (Note 6)	4,374,999,999 (Note 6)	119.55%
Li Ka-shing ("Mr. Li")	(i) Founder of discretionary trusts and interest of controlled corporations (ii) Interest of a controlled corporation	3,875,632,628 (Note 7) 231,912,000 (Note 8)	4,374,999,999 (Note 7) –	122.90%
Citigroup Inc.	Interest of a controlled corporation	2,000,000,000 1,920,000 (lending pool)	–	28.98% 0.03%

(II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding
DBS Bank Ltd.	Beneficial Owner	394,883,333 (Note 9)	5.72%
DBS Group Holdings Limited	Interest of a controlled corporation	394,883,333 (Note 9)	5.72%

Notes:

- HGCIHL is a direct wholly owned subsidiary of HTL, which in turn is a direct wholly owned subsidiary of HIL, which in turn is a direct wholly owned subsidiary of HWL. By virtue of the SFO, HWL, HIL and HTL are deemed to be interested in the 3,057,000,000 shares of the Company held by HGCIHL and 3,333,333,333 underlying shares in the Company derived from a nominal amount of HK\$3,200,000,000 in the 1% unsecured convertible notes due 2009 held by HGCIHL.*
- Mangere is a direct wholly owned subsidiary of HIL. By virtue of the SFO, HWL and HIL are deemed to be interested in the 1,041,666,666 underlying shares in the Company which are derived from the facility convertible notes to be issued pursuant to the terms of an unsecured loan facility of HK\$1,000 million held by Mangere.*
- By virtue of the SFO, in addition to the shares of the Company held by HGCIHL as described in Note 1 above, HWL is also deemed to be interested in the 569,888,793 shares of the Company held by HIL as beneficial owner.*
- Certain subsidiaries of CKH together hold one third or more of the issued share capital of HWL. By virtue of the above, CKH is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL as a substantial shareholder of the Company under the SFO. CKH is also interested in the share capital of the Company through Cheung Kong Enterprises Limited ("CKE") which is a wholly owned subsidiary of CKH.*
- TUT1, as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one third or more of the voting power at their general meetings ("related companies"), hold more than one third of the issued share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares of CKH, TUT1 as trustee of UT1 is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL (together with CKH's interest in the share capital of the Company through CKE) as a substantial shareholder of the Company under the SFO.*
- Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL (together with CKH's interest in the share capital of the Company through CKE) as a substantial shareholder of the Company under the SFO.*
- Mr. Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. Mr. Li is also interested in one third of the entire issued share capital of a company owning the entire issued share capital of TUT1, TDT1 and TDT2. By virtue of the above and as a director of CKH, Mr. Li is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL (together with CKH's interest in the share capital of the Company through CKE) as a substantial shareholder of the Company under the SFO.*
- Such shares are held by a company of which Mr. Li is interested in the entire issued share capital.*
- Such shares were beneficially owned by DBS Bank Ltd. which is a wholly owned subsidiary of DBS Group Holdings Limited.*

Saved as disclosed above, as at 30 June 2004, there was no other person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

CODE OF BEST PRACTICE

The four non-executive directors of the Company have no set term of office and retire from office on a rotational basis. Save and except as afore-mentioned, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company, which is chaired by an independent non-executive director, currently has a membership comprising two independent non-executive directors. The Audit Committee meets regularly with management and the external auditors of the Company and reviews matters relating to audit, accounting and financial statements as well as internal control, risk evaluation and general compliance of the Group and reports directly to the board of directors of the Company. The Group's unaudited condensed consolidated interim accounts have been reviewed by the Audit Committee.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules with respect to directors' securities transactions in relation to the accounting period covered by the interim report. The directors of the Company have complied with, and there has been no non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions, as supported by specific enquiry made of all directors of the Company.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended

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

CONSOLIDATED BALANCE SHEET

		(Not comparable)	
	Unaudited	As restated	As restated
	30 June	Audited	Audited
	2004	31 December	31 December
	HK\$'000	2003	2003
		HK\$'000	HK\$'000
	Note	(Note 1(a))	(Note 1(b))
Non-current assets			
Fixed assets	6,283,354	6,045,145	40,007
Investment properties	23,300	–	28,800
Interests in associates	3,239	–	3,415
Prepaid capacity and maintenance	1,256,089	1,277,627	–
Other non-current assets	151,574	125,880	–
	7,717,556	7,448,652	72,222
Current assets			
Trade accounts receivable	6	397,878	168,293
Inventories		34,841	–
Other receivables, deposits and prepaid costs		75,317	22,087
Due from immediate holding company		210	193
Due from fellow subsidiaries		46,149	46,753
Pledged bank deposits		16,267	–
Cash and cash equivalents		111,008	8,446
		681,670	245,772
			430,475
Current liabilities			
Trade accounts payable	7	190,821	278,975
Deposits received, other payables and accrued liabilities		951,350	666,949
Due to intermediate holding company		9,047	16,401
Due to fellow subsidiaries		10,166	232
Interest-bearing bank loans, overdrafts and supplier loans		138,338	1,239
		1,299,722	963,796
			427,659
Net current assets/(liabilities)		(618,052)	(718,024)
			2,816
Total assets less current liabilities		7,099,504	6,730,628
			75,038
Non-current liabilities			
Finance lease payable and provisions		111	–
Long term bank loans, secured		1,592	–
Long term loans from intermediate holding company		3,710,828	3,423,981
Other long term loans		30,803	14,653
Deferred tax		632	–
		3,743,966	3,438,634
			2,885
Net assets		3,355,538	3,291,994
			72,153
Capital and reserves			
Share capital	8	690,169	78
Reserves		(537,873)	3,291,916
			(95,767)
Shareholders' funds		152,296	3,291,994
Minority interests		3,242	–
Convertible note		3,200,000	–
		3,355,538	3,291,994
			72,153

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended

		(Not comparable)	
	Unaudited	Unaudited	As restated
	30 June	30 June	30 September
	2004	2003	2003
	HK\$'000	HK\$'000	HK\$'000
		(Note 1(a))	(Note 1(b))
Net cash inflow from operating activities	111,311	208,295	25,463
Net cash inflow/(outflow) from investing activities	(296,479)	(651,144)	2,065
Net cash inflow/(outflow) from financing activities	287,730	480,000	(50,054)
Net increase/(decrease) in cash and cash equivalents	102,562	37,151	(22,526)
Cash and cash equivalents at beginning of period	8,446	18,474	108,160
Effect of foreign exchange rate changes	-	-	2
Cash and cash equivalents at end of period	111,008	55,625	85,636
Analysis of the balances of cash and cash equivalents:			
Cash, bank balances and non-pledged bank deposits	104,128	55,625	73,082
Non-pledged time deposits with original maturity of less than three months when acquired	6,880	-	15,149
	-	-	88,231
Bank overdrafts	-	-	(2,595)
	111,088	55,625	85,636

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Unaudited						
	Share capital	Share premium	Contributed surplus	Fixed asset	Exchange reserve	Accumulated losses	Total
				revaluation reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2004	78	-	5,278,286	-	-	(1,986,370)	3,291,994
Exchange differences	-	-	-	-	32	-	32
Adjustments arising from reverse acquisition	690,091	530,516	(4,404,358)	-	-	-	(3,183,751)
Share issuing expenses	-	(4,610)	-	-	-	-	(4,610)
Profit for the six months ended 30 June 2004	-	-	-	-	-	48,631	48,631
At 30 June 2004	690,169	525,906	873,928	-	32	(1,937,739)	152,296

For the six months ended 30 June 2003 (Note 1(a))

	Unaudited						
	Share capital	Share premium	Contributed surplus	Fixed asset	Exchange reserve	Accumulated losses	Total
				revaluation reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2003	78	-	5,278,286	-	-	(2,039,210)	3,239,154
Profit for the six months ended 30 June 2003	-	-	-	-	-	36,109	36,109
At 30 June 2003	78	-	5,278,286	-	-	(2,003,101)	3,275,263

For the six months ended 30 September 2003 (Note 1(b))

	(Not comparable)						
	Audited						
	Share capital	Share premium	Contributed surplus	Fixed asset revaluation reserve	Exchange reserve	Accumulated losses	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2003	42,161	307,937	2,040	2,828	(13,174)	(541,165)	(199,373)
Conversion of convertible bonds	111,477	222,955	-	-	-	-	334,432
Share issuing expenses in relation to conversion of convertible bonds	-	(1,430)	-	-	-	-	(1,430)
Exchange differences on consolidation of overseas subsidiaries	-	-	-	-	2	-	2
Net gains not recognised in the profit and loss account	-	-	-	-	2	-	2
Loss for the six months ended 30 September 2003	-	-	-	-	-	(55,585)	(55,585)
At 30 September 2003	153,638	529,462	2,040	2,828	(13,172)	(596,750)	78,046

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1(a) Basis of Preparation of Interim Accounts

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

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

At 30 June 2004, the Group had net current liabilities of HK\$618,052,000 and significant capital expenditure commitments of HK\$737,888,000 as set out in Note 10. The Group has obtained a loan facility amounting to HK\$4.4 billion from Hutchison International Limited, an intermediate holding company of the Company, of which approximately HK\$3.7 billion has been utilised at 30 June 2004. With these loan facilities continued to be available to the Group for a period of at least twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as they fall due and to continue a business for a period of at least twelve months from the date of this report. Consequently, the Directors have prepared the financial statements on a going concern basis.

1(b) Additional Information

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

2 Accounting Policies

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

Depreciation of fixed assets under businesses in telecommunications services:

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

3 Segment Information

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

Business segment

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

Geographical segment

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

4 Taxation

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

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

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

5 Earnings Per Share

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

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

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

6 Trade Accounts Receivable

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

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

7 Trade Accounts Payable

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

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

8 Share Capital

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

8 Share Capital (continued)

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

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

9 Contingent Liabilities

- (a) At 30 June 2004, the Group has given performance guarantees to:
 - (i) Various parties in respect of the provision of services for approximately HK\$5,133,000 (31 December 2003 – HK\$4,167,000);
 - (ii) CLP Power Hong Kong Limited in lieu of cash deposit for HK\$9,400,000 (31 December 2003 – HK\$9,400,000).
- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with an estimated maximum possible amount of HK\$3,269,000 as at 30 June 2004 (31 December 2003 – nil).

10 Capital Commitments

	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000 (Note 1(a))
Contracted but not provided for	737,888	1,128,950

11 Material related party transactions

The Group has entered into related party transactions, comprising mainly services incomes and expenses, with direct and indirect subsidiaries of Hutchison Whampoa Limited ("HWL Group") and the Group's certain non-wholly owned subsidiaries. For the six months period ended 30 June 2004, the respective incomes and expenses were HK\$142,725,000 (30 June 2003 – HK\$137,435,000) and HK\$14,460,000 (30 June 2003 – HK\$15,634,000).

As at 30 June 2004, borrowings outstanding from those entities were HK\$6,913,296,000 (31 December 2003 – HK\$3,423,981,000) and related interest expense for the six months period ended 30 June 2004 were HK\$37,067,000 (30 June 2003 – nil).