

Notes to the Accounts

1 Principal Accounting Policies

A Basis of Preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("SSAP"). The accounts are prepared under the historical cost convention except that, as set out in Notes 1F and 1H below, listed equity securities and investment properties are stated at fair value and open market value respectively. In the current year, the Group has adopted the new or revised SSAPs effective for accounting periods commencing on 1 January 2002. The adoption of these new or revised SSAPs had no material effects on the Group's results.

The profit attributable to shareholders for the year ended 31 December 2001 has been reduced by HK\$108 million and retained profit at 1 January 2001 and 2002 have been reduced by HK\$88 million and HK\$196 million respectively for the Group's share of a prior year adjustment of an associated company, Husky Energy Inc. This adjustment is in relation to the adoption of the recommendations of the Canadian Institute of Chartered Accountants on Foreign Currency Translation whereby foreign exchange gains and losses on long-term monetary items are no longer deferred and amortised but are reflected in the profit and loss account in the period they are incurred.

Certain comparative figures have been reclassified to conform with the current year's presentation.

B Basis of Consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2002 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in Notes 1D and 1E below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2002 or up to the dates of disposal as the case may be.

C Subsidiary Companies

A company is a subsidiary company if more than 50% of the equity voting rights or issued share capital is held long term. In the consolidated accounts, subsidiary companies are accounted for as described in Note 1B above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

D Associated Companies

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2002. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

1 Principal Accounting Policies (cont'd)

E Joint Ventures

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2002. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

A joint venture is classified as other joint venture if it is held as a long term investment and is not an associated company nor a jointly controlled entity. Other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for impairment in value. Cost includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income is recognised on the accrual basis throughout the joint venture period.

F Liquid Funds and Other Investments

Liquid funds and other listed investments are investments in cash and cash equivalents, listed held-to-maturity debt securities and listed equity securities. Listed held-to-maturity debt securities are carried at cost less provision for impairment in value. Listed equity securities ("equity securities") represent listed investments in companies which are not subsidiary companies nor associated companies nor joint ventures and are carried at fair value. Changes in the fair value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. Upon disposal of equity securities, the relevant revaluation surplus or deficit is dealt with in the profit and loss account. Interest income and dividends from these investments are recognised on the accrual basis.

G Fixed Assets

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 $\frac{1}{3}$ – 33 $\frac{1}{3}$ %
Container terminal equipment	5 – 20%
Telecommunication equipment	5 – 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Notes to the Accounts

1 Principal Accounting Policies (cont'd)

H Investment Properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value based on existing use as determined by an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant revaluation reserve is recognised in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

I Leased Assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on accrual basis.

J Other Non-current Assets

Licences for 3G Telecommunications spectrum ("3G licences") costs are capitalised at cost and amortised over the periods of the licences from the date of commencement of commercial operations.

Other unlisted investments are investments in unlisted held-to-maturity debt securities and unlisted equity securities and advances. Unlisted equity securities represent unlisted investments in companies which are not subsidiary companies nor associated companies nor joint ventures. Other unlisted investments are carried at cost less provision for impairment in value.

K Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of its acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions which occurred before 1 January 2001 was taken directly to reserves.

1 Principal Accounting Policies (cont'd)

L Asset Impairment

Intangible and tangible assets, except investment properties, are tested for impairment when an event that might affect asset values has occurred. A provision for impairment in value is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by discounting future earnings from operating the asset. Such provision is recognised in the profit and loss account except where the asset is carried at valuation and the provision does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

M Borrowing Costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development, 3G licences and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

N Properties Under Development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

O Stocks

Stocks consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other stocks are stated at the lower of cost and net realisable value.

P Deferred Taxation

Deferred taxation is provided for when there is a reasonable probability that such taxation will become payable in the foreseeable future. Deferred taxation is calculated by the liability method at the applicable tax rate on timing differences arising from the recognition of income and expenditures in different fiscal years for accounting and for tax purposes.

Q Pension Plans

Pension plans are classified into defined benefit and defined contribution plans.

Commencing from 1 January 2002, pension accounting costs for defined benefit plans are assessed using the projected unit credit method in accordance with SSAP 34 "Employee Benefits". Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of the greater of

Notes to the Accounts

1 Principal Accounting Policies (cont'd)

Q Pension Plans (cont'd)

the present value of plan obligations and the fair value of plan assets at that date are recognised over the average remaining service lives of employees.

In prior years, pension costs were assessed according to the Group's annual contributions which were designed to fully fund the plans as advised by independent actuaries. In accordance with transitional provisions under SSAP 34, transitional liabilities at 1 January 2002 are recognised as an expense on a straight line basis over a period of five years from 1 January 2002.

The Group's contributions to the defined contribution plans are charged to the profit and loss account in the year incurred.

Pension costs are charged against the profit and loss account within staff costs.

The pension plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

R Foreign Exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in reserves.

S Dividends

Dividend is recorded as a liability on the date of declaration.

2 Turnover

Turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. An analysis of turnover of the Company and subsidiary companies is as follows:

	Group 2002	Group 2001
	HK\$ millions	HK\$ millions
Sales of goods	38,071	29,132
Rendering of services	31,333	26,096
Interest	4,331	5,221
Dividends	1,500	1,011
	75,235	61,460

3 Segment Information

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

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Telecommunications is HK\$48 million (2001 – HK\$126 million), Property and hotels is HK\$467 million (2001 – HK\$468 million), Retail and manufacturing is HK\$79 million (2001 – HK\$96 million) and Finance and investments is HK\$240 million (2001 – HK\$209 million).

The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items.

Business Segment

Turnover from External Customers

	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2002 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions
Ports and related services	18,156	2,416	20,572	12,641	2,864	15,505
Telecommunications – 3G	–	–	–	–	–	–
Telecommunications – others	10,021	3,346	13,367	8,743	2,725	11,468
Property and hotels	3,802	7,907	11,709	3,941	1,575	5,516
Retail and manufacturing	36,600	2,871	39,471	27,208	2,335	29,543
Cheung Kong Infrastructure	2,707	7,919	10,626	4,050	6,029	10,079
Husky Energy	–	11,198	11,198	–	11,801	11,801
Finance and investments	3,949	237	4,186	4,877	249	5,126
	75,235	35,894	111,129	61,460	27,578	89,038

Notes to the Accounts

3 Segment Information (cont'd)**Business Segment** (cont'd)

Earnings before Interest and Other Finance Costs and Taxation

	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2002 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions
Ports and related services	6,001	794	6,795	5,006	785	5,791
Telecommunications – 3G	–	–	–	–	–	–
Telecommunications – others	563	255	818	804	(85)	719
Property and hotels	2,017	553	2,570	1,595	122	1,717
Retail and manufacturing	758	273	1,031	473	64	537
Cheung Kong Infrastructure	813	4,177	4,990	355	4,234	4,589
Husky Energy	–	2,084	2,084	85	1,814	1,899
Finance and investments	6,079	80	6,159	6,264	193	6,457
	16,231	8,216	24,447	14,582	7,127	21,709

Earnings before interest and other finance costs and taxation for 3G Telecommunications operations is stated net of the release of provisions amounting to HK\$1,871 million (2001 – HK\$462 million) which compensated the pre-operating expenses of these businesses.

Depreciation and Amortisation

	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2002 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions
Ports and related services	2,196	304	2,500	1,401	372	1,773
Telecommunications – 3G	–	–	–	–	–	–
Telecommunications – others	1,733	399	2,132	994	506	1,500
Property and hotels	195	54	249	454	117	571
Retail and manufacturing	1,031	124	1,155	657	109	766
Cheung Kong Infrastructure	257	1,317	1,574	257	1,256	1,513
Husky Energy	–	1,891	1,891	–	1,685	1,685
Finance and investments	66	1	67	64	1	65
	5,478	4,090	9,568	3,827	4,046	7,873

3 Segment Information (cont'd)

Business Segment (cont'd)

	Total Assets							
	Company and Subsidiaries				Investments in Associated Companies and Interests in Joint Ventures			
	Segment Assets	Deferred Tax Assets	2002 Total Assets	2001 Total Assets	Segment Assets	Deferred Tax Assets	2002 Total Assets	2001 Total Assets
		HK\$ millions				HK\$ millions		
Ports and related services	49,403	4	5,708	55,115	45,874	–	4,707	50,581
Telecommunications – 3G ^(a)	129,579	5	–	129,584	85,097	–	169	85,266
Telecommunications – others	58,873	–	1,330	60,203	79,108	–	1,658	80,766
Property and hotels	37,844	–	19,986	57,830	39,161	–	20,148	59,309
Retail and manufacturing	26,557	306	1,026	27,889	10,983	–	745	11,728
Cheung Kong Infrastructure	14,880	–	40,805	55,685	11,478	–	37,806	49,284
Husky Energy	–	–	12,090	12,090	–	–	10,834	10,834
Finance and investments	94,239	–	1,001	95,240	82,879	–	562	83,441
	411,375	315	81,946	493,636	354,580	–	76,629	431,209

(a) Included in this amount is an unrealised foreign currency exchange gain arising in 2002 of HK\$11,209 million (2001 – loss of HK\$3,560 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

Segment assets comprise fixed assets, cost of licences, other unlisted investments, goodwill, liquid funds and other listed investments, cash and cash equivalents and other current assets.

	Total Liabilities					
	Company and Subsidiaries			Investments in Associated Companies and Interests in Joint Ventures		
	Segment Liabilities	Current and Deferred Tax Liabilities	2002 Total Liabilities	2001 Total Liabilities	Segment Liabilities	Current and Deferred Tax Liabilities
		HK\$ millions				HK\$ millions
Ports and related services	24,048	302	24,350	22,886	265	23,151
Telecommunications – 3G	38,637	–	38,637	9,776	10	9,786
Telecommunications – others	63,809	10	63,819	53,675	2	53,677
Property and hotels	2,119	148	2,267	4,276	141	4,417
Retail and manufacturing	22,486	254	22,740	15,160	213	15,373
Cheung Kong Infrastructure	14,515	99	14,614	9,951	100	10,051
Husky Energy	–	–	–	–	–	–
Finance and investments	59,488	9	59,497	59,764	13	59,777
	225,102	822	225,924	175,488	744	176,232

Segment liabilities comprise bank and other loans, notes and bonds, trade payables, other payables, accruals and pension obligations.

Notes to the Accounts

3 Segment Information (cont'd)**Business Segment** (cont'd)

	Capital Expenditures	
	Company and Subsidiaries	
	2002 HK\$ millions	2001 HK\$ millions
Ports and related services	4,005	1,169
Telecommunications – 3G	28,282	7,532
Telecommunications – others	4,359	3,311
Property and hotels	1,190	735
Retail and manufacturing	1,237	1,292
Cheung Kong Infrastructure	111	108
Husky Energy	–	–
Finance and investments	14	146
	39,198	14,293

Geographical Segment

	Turnover from External Customers					
	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	33,618	14,419	48,037	34,020	7,495	41,515
Mainland China	7,098	5,518	12,616	5,656	4,703	10,359
Asia and Australia	12,228	4,290	16,518	10,137	2,305	12,442
Europe	15,253	354	15,607	5,620	1,051	6,671
Americas and others	7,038	11,313	18,351	6,027	12,024	18,051
	75,235	35,894	111,129	61,460	27,578	89,038

	Earnings before Interest and Other Finance Costs and Taxation					
	Company and Subsidiaries	Associates and JCE	2002 Total	Company and Subsidiaries	Associates and JCE	2001 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	5,024	3,939	8,963	6,376	3,505	9,881
Mainland China	1,947	1,431	3,378	958	1,037	1,995
Asia and Australia	670	766	1,436	914	709	1,623
Europe	2,654	(15)	2,639	990	48	1,038
Americas and others	5,936	2,095	8,031	5,344	1,828	7,172
	16,231	8,216	24,447	14,582	7,127	21,709

3 Segment Information (cont'd)

Geographical Segment (cont'd)

	Total Assets								
	Company and Subsidiaries				Investments in Associated Companies and				
	Segment Assets	Deferred	Tax	Interests in Joint Ventures	2002 Total Assets	Segment Assets	Deferred	Interests in Joint Ventures	2001 Total Assets
		HK\$ millions	Assets				Assets		
Hong Kong	87,250	–	31,859	119,109	77,955	–	33,524	111,479	
Mainland China	13,273	–	23,539	36,812	14,196	–	23,064	37,260	
Asia and Australia	26,610	4	12,634	39,248	16,673	–	7,684	24,357	
Europe	192,018	311	754	193,083	162,499	–	929	163,428	
Americas and others	92,224	–	13,160	105,384	83,257	–	11,428	94,685	
	411,375	315	81,946	493,636	354,580	–	76,629	431,209	

	Capital Expenditures	
	Company and Subsidiaries	
	2002	2001
	HK\$ millions	HK\$ millions
Hong Kong	4,336	2,804
Mainland China	1,028	460
Asia and Australia	5,490	386
Europe	27,970	9,893
Americas and others	374	750
	39,198	14,293

Notes to the Accounts

4 Earnings before Interest and Other Finance Costs and Taxation ("EBIT")

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
EBIT is shown after crediting and charging the following items:		
Credits:		
Share of profits less losses of associated companies		
Listed	5,594	4,829
Unlisted	750	821
	6,344	5,650
Share of gross rental income from associated companies and jointly controlled entities	378	195
Gross rental income from investment properties of subsidiary companies	2,060	2,044
Less: intra group rental income	(286)	(286)
	1,774	1,758
Less: related outgoings	(31)	(43)
Net rental income of subsidiary companies	1,743	1,715
Dividend and interest income from managed funds and other investments		
Listed	3,496	2,386
Unlisted	372	533
Interest rate swap income (Note 22)	1,910	–
Charges:		
Depreciation of fixed assets	5,328	3,792
Amortisation of goodwill	150	35
Share of depreciation and amortisation of associated companies and jointly controlled entities	4,090	4,046
Operating leases		
Properties	3,650	2,421
Hire of plant and machinery	489	456
Hire of vessels	–	1,007
Auditors' remuneration	60	46

5 Interest and Other Finance Costs

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Company and subsidiary companies		
Bank loans and overdrafts	2,776	3,011
Other loans repayable within 5 years	251	116
Other loans not wholly repayable within 5 years	2	45
Notes and bonds repayable within 5 years	1,728	2,438
Notes and bonds not wholly repayable within 5 years	1,703	2,111
	6,460	7,721
Less: interest capitalised	(1,198)	(769)
	5,262	6,952
Share of associated companies	1,233	1,250
Share of jointly controlled entities	598	565
	7,093	8,767

6 Profit on Disposal of Investments Less Provisions

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Profit on sale of equity interests, ranging from 1% to 3%, to strategic partners in certain ports	1,129	–
Write back of a provision previously made for Hutchison Harbour Ring Limited	395	–
Profit on disposal of investments	–	30,000
Profit on disposal of investments pursuant to forward sales contracts	–	4,393
Provision for share price and exchange rate fluctuations on overseas investments	–	(29,769)
Provision for loss on property development projects	–	(1,500)
	1,524	3,124

The 2001 profit on disposal of investments comprises of a profit of HK\$30,000 million arising from the merger of VoiceStream Wireless Corporation ("VoiceStream") and Deutsche Telekom AG ("Deutsche Telekom"). The profit on disposal of investments pursuant to forward sales contracts is the aggregate profit arising from the sale of approximately 695 million shares of Vodafone Group Plc ("Vodafone") at an average price of GBP 1.75 per share and approximately 89 million shares of Deutsche Telekom at an average price of EUR 21.26 per share.

Notes to the Accounts

7 Directors' Emoluments

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
The emoluments of the directors of the Company are as follows:		
Fees	1	1
Basic salaries and allowances	39	39
Provident fund contributions	5	5
Bonuses	214	169
	259	214

The emoluments of the six independent non-executive directors of the Company are HK\$0.45 million (2001 – six directors, HK\$0.45 million).

No management remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 which he paid to Cheung Kong (Holdings) Limited.

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

Emoluments of all directors of the Company are analysed as below:

HK\$	Group 2002 Number of Directors	Group 2001 Number of Directors
Nil – 1,000,000	8	8
7,500,001 – 8,000,000	1	2
11,000,001 – 11,500,000	1	–
11,500,001 – 12,000,000	1	1
25,500,001 – 26,000,000	–	1
27,000,001 – 27,500,000	–	1
28,000,001 – 28,500,000	–	1
32,500,001 – 33,000,000	1	–
34,000,001 – 34,500,000	1	–
35,000,001 – 35,500,000	1	–
105,000,001 – 105,500,000	–	1
125,000,001 – 125,500,000	1	–

The five individuals whose emoluments were the highest for the year were four (2001 – four) directors of the Company and one (2001 – one) director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary and allowance – HK\$6.6 million (2001 – HK\$6 million); provident fund contribution – HK\$1 million (2001 – HK\$0.9 million); and bonus – HK\$25 million (2001 – HK\$12 million).

8 Taxation

	Current Taxation HK\$ millions	Deferred Taxation HK\$ millions	Group 2002 Total HK\$ millions	Current Taxation HK\$ millions	Deferred Taxation HK\$ millions	Group 2001 Total HK\$ millions
Hong Kong						
Subsidiary companies	492	17	509	537	(6)	531
Associated companies	393	2	395	314	–	314
Jointly controlled entities	113	5	118	56	(2)	54
Overseas						
Subsidiary companies	752	58	810	543	(14)	529
Associated companies	168	629	797	63	710	773
Jointly controlled entities	97	(2)	95	64	11	75
	2,015	709	2,724	1,577	699	2,276

Hong Kong profits tax has been provided for at the rate of 16% (2001 – 16%) on the estimated assessable profits less available tax losses. Overseas taxation has been provided for at the applicable rate on the estimated assessable profits less available tax losses.

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
The potential tax liabilities (assets) which have not been provided for in respect of the current year are as follows:		
Arising from accelerated depreciation allowances	1,794	(121)
Arising from tax losses	(1,652)	(39)

No provision for taxation has been made for taxes which would arise on the remittance of retained profits of certain overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

9 Profit Attributable to Shareholders

The net profit of the Company is HK\$7,793 million (2001 – HK\$7,999 million) and is included in determining the profit attributable to shareholders in the consolidated profit and loss account.

10 Dividends

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Interim, paid of HK\$0.51 per share (2001 – HK\$0.51)	2,174	2,174
Final, proposed of HK\$1.22 per share (2001 – HK\$1.22)	5,201	5,201
	7,375	7,375

Notes to the Accounts

11 Earnings Per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$14,288 million (2001 – HK\$11,980 million, as restated) and on 4,263,370,780 shares in issue during 2002 (2001 – 4,263,370,780 shares).

12 Fixed Assets – Group

	Investment Properties HK\$ millions	Other Properties HK\$ millions	Other Assets HK\$ millions	2002 Total HK\$ millions	2001 Total HK\$ millions
Cost or valuation					
At 1 January	28,458	48,290	50,579	127,327	103,300
Exchange translation differences	–	284	2,379	2,663	(591)
Additions	59	3,300	35,839	39,198	14,293
Disposals	(20)	(228)	(2,091)	(2,339)	(706)
Relating to subsidiaries acquired	–	1,085	13,304	14,389	13,736
Relating to subsidiaries disposed of	–	(856)	(549)	(1,405)	(183)
Revaluation	(1,866)	–	–	(1,866)	(2,503)
Transfer to current assets	–	(152)	(166)	(318)	(19)
Transfer between categories	1,894	(607)	(2,500)	(1,213)	–
At 31 December	28,525	51,116	96,795	176,436	127,327
Accumulated depreciation					
At 1 January	–	5,792	18,779	24,571	17,862
Exchange translation differences	–	257	773	1,030	(156)
Charge for the year	–	1,191	4,137	5,328	3,792
Impairment recognised	–	30	82	112	–
Disposals	–	(107)	(1,946)	(2,053)	(487)
Relating to subsidiaries acquired	–	–	4,819	4,819	3,643
Relating to subsidiaries disposed of	–	(205)	(151)	(356)	(93)
Transfer from (to) current assets	–	9	(41)	(32)	10
Transfer between categories	–	129	(1,342)	(1,213)	–
At 31 December	–	7,096	25,110	32,206	24,571
Net book value at 31 December	28,525	44,020	71,685	144,230	102,756
Cost or valuation at 31 December					
At cost	–	51,116	96,795	147,911	98,869
At valuation	28,525	–	–	28,525	28,458
	28,525	51,116	96,795	176,436	127,327

12 Fixed Assets – Group (cont'd)

	2002 HK\$ millions	2001 HK\$ millions
Net book value of investment properties and other properties comprises:		
Hong Kong		
Long leasehold (not less than 50 years)	14,565	15,081
Medium leasehold (less than 50 years but not less than 10 years)	33,789	33,564
Short leasehold (less than 10 years)	26	30
Overseas		
Freehold	7,629	5,067
Long leasehold	1,781	3,162
Medium leasehold	14,139	13,705
Short leasehold	616	347
	72,545	70,956

Investment properties have been revalued as at 31 December 2002 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

Other properties include projects under development in the amount of HK\$3,503 million at 31 December 2002 (2001 – HK\$3,073 million).

Other assets include telecommunications equipment held under finance leases at a cost of HK\$3,222 million (2001 – HK\$3,222 million) and accumulated depreciation of HK\$1,278 million (2001 – HK\$1,060 million) at 31 December 2002. Depreciation for the year amounted to HK\$218 million (2001 – HK\$212 million).

Cost and net book value of fixed assets include HK\$38,163 million (2001 – HK\$7,747 million) and HK\$37,598 million (2001 – HK\$7,636 million) respectively relating to 3G telecommunications operations.

	2002 HK\$ millions	2001 HK\$ millions
At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable leases is as follows:		
Within 1 year	1,282	1,584
After 1 year, but within 5 years	2,211	3,212
After 5 years	722	913

Notes to the Accounts

13 Other Non-current Assets

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Cost of licences for 3G telecommunications spectrum		
At 1 January	78,152	80,039
Exchange translation differences	10,187	(3,571)
Additions	180	1,684
At 31 December	88,519	78,152
Other unlisted investments		
Held-to-maturity convertible debt securities	3,842	4,538
Equity securities and advances	2,673	3,313
	6,515	7,851
Deferred tax assets (Note 24)	315	–
	95,349	86,003

14 Goodwill

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Cost		
At 1 January	440	–
Additional goodwill recognised	7,534	440
Exchange translation differences	405	–
Relating to subsidiaries disposed of	(75)	–
At 31 December	8,304	440
Accumulated amortisation		
At 1 January	35	–
Charge for the year	150	35
Exchange translation differences	12	–
Relating to subsidiaries acquired	230	–
Relating to subsidiaries disposed of	(30)	–
At 31 December	397	35
Net book value at 31 December	7,907	405

15 Subsidiary Companies

	Company 2002 HK\$ millions	Company 2001 HK\$ millions
Unlisted shares	728	728
Amounts due from subsidiary companies	50,956	48,032
	51,684	48,760

Particulars regarding the principal subsidiary companies are set forth on pages 135 to 143.

16 Associated Companies

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Unlisted shares	1,524	1,651
Listed shares, Hong Kong	9,512	9,512
Listed shares, overseas	10,864	10,342
Share of undistributed post acquisition reserves	13,693	10,979
Investments in associated companies	35,593	32,484
Amounts due from associated companies	12,722	7,476
Amounts due to associated companies	(1,584)	(1,628)
	46,731	38,332

The market value of the listed investments at 31 December 2002 was HK\$40,315 million (2001 – HK\$42,851 million).

Particulars regarding the principal associated companies are set forth on pages 135 to 143.

Notes to the Accounts

17 Interests in Joint Ventures

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Jointly controlled entities		
Unlisted shares	17,137	19,196
Share of undistributed post acquisition reserves	(5,764)	(6,004)
Investments in jointly controlled entities	11,373	13,192
Amounts due from jointly controlled entities	19,146	18,565
Amounts due to jointly controlled entities	(600)	(738)
	29,919	31,019
Other joint ventures		
Cost of investments	4,645	6,504
Amounts due from other joint ventures	651	774
	5,296	7,278
	35,215	38,297

Particulars regarding the principal jointly controlled entities are set forth on pages 135 to 143.

18 Liquid Funds and Other Listed Investments

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Managed funds, overseas		
Listed held-to-maturity debt securities	33,471	22,675
Cash and cash equivalents	657	1,119
	34,128	23,794
Listed held-to-maturity debt securities	17,232	7,346
Listed equity securities, Hong Kong	3,427	3,473
Listed equity securities, overseas	32,307	63,176
Long term deposits	321	173
	87,415	97,962
Less: current portion	(11,818)	(26,758)
	75,597	71,204

The market value of listed securities at 31 December 2002 was HK\$88,603 million (2001 – HK\$108,736 million).

18 Liquid Funds and Other Listed Investments (cont'd)

Included in the listed held-to-maturity debt securities is investment in notes totalling HK\$5,218 million (2001 – HK\$4,274 million) which are subject to certain callable asset swap arrangements with financial institutions. Pursuant to these arrangements, fixed rate notes were purchased and simultaneously interest rate swap agreements were entered into whereby the notes became floating interest rate bearing notes. The financial institution has a call option to purchase the notes any time before maturity in 2004.

19 Current Assets

	Company 2002 HK\$ millions	Company 2001 HK\$ millions	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Stocks	–	–	8,742	4,821
Trade receivables	–	–	4,726	3,837
Other receivables and prepayments	1	–	20,469	11,422
Dividends and other receivables from subsidiary companies	5,500	8,000	–	–
Current portion of liquid funds and other listed investments	–	–	11,818	26,758
Other current assets	5,501	8,000	45,755	46,838
Cash and cash equivalents	–	–	42,852	47,374
	5,501	8,000	88,607	94,212

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.

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
At 31 December, the ageing analysis of the trade receivables is as follows:		
Current	3,277	2,410
31–60 days	844	871
61–90 days	253	271
Over 90 days	352	285
	4,726	3,837

Notes to the Accounts

20 Current Liabilities

	Company 2002 HK\$ millions	Company 2001 HK\$ millions	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Bank loans (note a)	2	–	13,334	15,238
Other loans	–	–	94	161
Exchangeable notes (note b)				
US\$3,000 million exchangeable notes, 2.875% due 2003	–	–	23,400	–
Other notes and bonds				
HK\$ notes, 7.88% due 2002	–	–	–	1,500
HK\$ notes, 7.82% due 2002	–	–	–	500
HK\$ notes, 7% due 2003	–	–	1,000	–
Trade payables	–	–	8,610	6,180
Other payables and accruals	69	64	36,400	22,760
Taxation	–	–	591	544
	71	64	83,429	46,883

- (a) The bank loans include project financing for 3G operations totalling HK\$1,003 million (2001 – nil) which is guaranteed by the Group. In March 2003, the Group issued AUD800 million principal amount of floating interest rate notes due in 2008, the proceeds of these notes will be used to refinance bank loans due within 2003.
- (b) The US\$3,000 million exchangeable notes (“Exchangeable Notes”) are exchangeable into ordinary shares of Vodafone any time before maturity at the option of the holders on the basis of US\$1,000 principal amount for 196.61 shares at US\$5.086 per share. In February 2003, the Group issued US\$1,500 million principal amount of 6.5% fixed interest rate notes due in 2013, the proceeds of which will be used to repay a portion of the Exchangeable Notes.
- (c) The bank and other loans are secured to the extent of HK\$3,159 million (2001 – HK\$1,749 million).

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
At 31 December, the ageing analysis of the trade payables is as follows:		
Current	5,354	3,642
31–60 days	1,280	1,183
61–90 days	516	644
Over 90 days	1,460	711
	8,610	6,180

21 Net Current Assets

The Group arranged two long term borrowings to refinance debts that are shown as current liabilities at 31 December 2002. After adjusting for these two refinancings, the net current assets amount would be increased by HK\$15,236 million.

22 Long Term Liabilities

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Bank loans		
Repayable within 5 years	75,048	41,324
Not wholly repayable within 5 years	12,159	17,769
Less: current portion	(13,334)	(15,238)
	73,873	43,855
Other loans		
Repayable within 5 years	5,521	2,617
Not wholly repayable within 5 years	856	80
Less: current portion	(94)	(161)
	6,283	2,536
Exchangeable notes		
US\$3,000 million exchangeable notes, 2.875% due 2003	–	23,400
US\$2,657 million exchangeable notes, 2% due 2004	20,723	20,723
	20,723	44,123
Other notes and bonds		
HK\$ notes, 7% due 2003	–	1,000
HK\$ notes, HIBOR+0.8% due 2004	1,500	1,500
US\$750 million notes – Series A, 6.95% due 2007	5,807	5,807
US\$500 million notes – Series B, 7.45% due 2017	3,871	3,871
US\$500 million notes – Series C, 7.5% due 2027	3,871	3,871
US\$250 million notes – Series D, 6.988% due 2037	1,935	1,935
US\$1,500 million notes, 7% due 2011	11,700	11,700
EUR500 million bonds, 5.5% due 2006	4,085	3,450
GBP325 million bonds, 6.75% due 2015	4,069	3,679
AUD425 million notes, 6.5% due 2006	1,878	1,691
JPY30,000 million notes, 3.5% due 2032	1,974	–
	40,690	38,504
	141,569	129,018

Notes to the Accounts

22 Long Term Liabilities (cont'd)

The long term liabilities include financing for 3G operations totalling HK\$25,002 million (2001 – HK\$4,904 million) of which HK\$4,385 million (2001 – nil) were guaranteed by the Group.

The bank and other loans are secured to the extent of HK\$30,987 million (2001 – HK\$11,937 million) of which HK\$20,617 million (2001 – HK\$4,904 million) and HK\$4,074 million (2001 – nil) are non guaranteed and guaranteed loans respectively for 3G operations included in the financing amounts above.

The US\$2,657 million exchangeable notes are exchangeable into ordinary shares of Vodafone any time before maturity at the option of the holders on the basis of US\$1,000 principal amount for 214.51 shares at US\$4.6618 per share.

The US\$250 million notes – Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
The loans are repayable as follows:		
Bank loans		
After 1 year, but within 2 years	7,511	2,134
After 2 years, but within 5 years	54,210	37,114
After 5 years	12,152	4,607
Other loans		
After 1 year, but within 2 years	89	65
After 2 years, but within 5 years	5,348	2,398
After 5 years	846	73
Exchangeable notes		
After 1 year, but within 2 years	20,723	23,400
After 2 years, but within 5 years	–	20,723
Other notes and bonds		
After 1 year, but within 2 years	1,500	1,000
After 2 years, but within 5 years	11,770	6,641
After 5 years	27,420	30,863
	141,569	129,018

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings. Certain of such agreements were terminated during the year which resulted in a profit of HK\$1,910 million (2001 – nil). At 31 December 2002, outstanding interest rate swap agreements with financial institutions amounted to HK\$30,363 million (2001 – HK\$31,550 million). In addition, HK\$6,539 million (2001 – HK\$4,320 million) principal amount of an infrastructure related floating interest rate borrowing was swapped to a fixed interest rate borrowing.

23 Pledge of Assets

At 31 December 2002, the Group's shares of Hutchison 3G UK Limited and H3G S.p.A. and their respective assets were pledged as security for 3G project financing facilities. The assets of these two companies totalled HK\$119,812 million (2001 – HK\$56,792 million) at 31 December 2002. In addition, HK\$22,238 million (2001 – HK\$14,988 million) of assets were pledged as security for bank and other loans of the Group.

24 Deferred Taxation

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
The movements in deferred taxation are as follows:		
At 1 January	200	100
Exchange translation differences	(69)	–
Relating to subsidiaries acquired	(345)	120
Relating to subsidiaries disposed of	55	–
Net charge (credit) for the year	75	(20)
At 31 December	(84)	200
Analysis of net deferred tax liabilities (assets):		
Deferred tax assets (Note 13)	(315)	–
Deferred tax liabilities	231	200
	(84)	200
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	2,105	311
Arising from tax losses	(2,679)	(1,027)

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the recognition of the surpluses would not be subject to taxation. Therefore the above potential liability does not include timing differences related to the revaluation surpluses.

Notes to the Accounts

25 Pension Obligations

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Defined benefit plan obligations	695	131

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined Benefit Plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non contributory guaranteed return defined contribution plans.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2001 and 31 December 2002 using the projected unit credit method to account for the Group's pension accounting costs in accordance with SSAP 34 "Employee Benefits".

	Group 2002
The principal actuarial assumptions used for accounting purposes are as follows:	
Discount rate applied to defined benefit plan obligations	4.75% – 6.00%
Expected return on plan assets	4.00% – 8.00%
Future salary increases	3.00% – 5.00%
Interest credited on plan accounts	5.00% – 6.00%

	Group 2002 HK\$ millions
The amount recognised in the consolidated profit and loss account is as follows:	
Current service cost	360
Amortisation of unrecognised liabilities on initial adoption of SSAP 34	92
Interest cost	311
Expected return on plan assets	(333)
Net actuarial loss recognised	10
Total expense	440
Less: expense capitalised	(11)
Total, included in staff costs	429

Total expense included in staff costs in 2001 amounted to HK\$259 million.

25 Pension Obligations (cont'd)

(a) Defined Benefit Plans (cont'd)

	Group 2002 HK\$ millions
Defined benefit plan obligations are determined as follows:	
Present value of defined benefit obligations	6,878
Fair value of plan assets	4,814
Deficit	2,064
Unrecognised actuarial loss	(806)
Unrecognised liabilities on initial adoption of SSAP 34	(563)
Net defined benefit plan obligations	695
The movements in net defined benefit plan obligations are as follows:	
At 1 January	131
Exchange translation differences	49
Relating to subsidiaries acquired	396
Total expense	440
Contributions paid	(321)
At 31 December	695
Analysis of net defined benefit plan (assets) obligations:	
Plan assets	(35)
Plan obligations	730
	695

Fair value of plan assets of HK\$4,814 million includes investments in the Company's shares with a fair value of HK\$37 million. The actual loss on plan assets in 2002 was HK\$477 million.

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2002. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

Notes to the Accounts

25 Pension Obligations (cont'd)

(a) Defined Benefit Plans (cont'd)

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2001 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 8.5% per annum and salary increases of 6.5%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 30 June 2004 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2002 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$30 million (2001 – HK\$31 million) were used to reduce the current year's level of contributions and HK\$7 million was available at 31 December 2002 (2001 – HK\$3 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2001, the ratio of assets to liabilities for the Felixstowe Scheme was 92%. The sponsoring employer's contributions have been increased from 2001 to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.0% per annum in respect of past service liabilities and pensionable salary increases of 4% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt Partners. The funding of the plan will be reviewed within three years of the last formal valuation.

The Group's defined benefit pension plan for its retail operations in the United Kingdom for the employees of an acquired subsidiary company was assumed on acquisition of that subsidiary company and is not open to new entrants. The first formal valuation for funding purposes is not due until 31 March 2003.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

(b) Defined Contribution Plans

The Group's costs in respect of defined contribution plans for the year amounted to HK\$156 million (2001 – HK\$103 million). Forfeited contributions totalling HK\$4 million (2001 – HK\$2 million) were used to reduce the current year's level of contributions and HK\$1 million was available at 31 December 2002 (2001 – HK\$1 million) to reduce future years' contributions.

26 Minority Interests

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
Equity interests	33,777	30,901
Loans – interest free	6,660	5,424
Loans – interest bearing	1,099	575
	41,536	36,900

The loans are unsecured and have no fixed terms of repayment.

27 Share Capital

	2002 Number of shares	2001 Number of shares	Company 2002 HK\$ millions	Company 2001 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7½% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	4,263,370,780	4,263,370,780	1,066	1,066

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

Notes to the Accounts

28 Reserves of the Company, Unconsolidated

	Share Premium HK\$ millions	Retained Profit HK\$ millions	Total HK\$ millions
At 1 January 2002	28,359	27,271	55,630
Profit for the year	–	7,793	7,793
2001 final dividend paid	–	(5,201)	(5,201)
2002 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2002	28,359	27,689	56,048
At 1 January 2001	28,359	26,647	55,006
Profit for the year	–	7,999	7,999
2000 final dividend paid	–	(5,201)	(5,201)
2001 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2001	28,359	27,271	55,630

Reserve of the Company available for distribution to shareholders amount to HK\$27,689 million (2001 – HK\$27,271 million).

29 Notes to Consolidated Cash Flow Statement

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
(a) Reconciliation of profit before taxation to Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)		
Profit before taxation	18,878	16,066
Interest and other finance costs, Company and subsidiary companies	5,262	6,952
Interest and other finance costs, share of associated companies and jointly controlled entities	1,831	1,815
Depreciation and amortisation, Company and subsidiary companies	5,478	3,827
Depreciation and amortisation, share of associated companies and jointly controlled entities	4,090	4,046
Other non-cash items included in profit on disposal of investments less provisions	(395)	1,500
Release of provisions	(1,871)	(1,179)
EBITDA	33,273	33,027
(b) Changes in working capital		
Increase in stocks	(678)	(544)
Increase in debtors and prepayments	(6,419)	(2,469)
Increase in creditors	11,186	1,365
Other non-cash items	(122)	(93)
	3,967	(1,741)

29 Notes to Consolidated Cash Flow Statement (cont'd)

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
(c) Purchase of subsidiary companies		
Net assets acquired (excluding cash and cash equivalents):		
Fixed assets	9,570	10,093
Associated companies	–	178
Interests in joint ventures	142	226
Other unlisted investments	–	74
Stocks	3,832	503
Debtors	2,246	1,588
Bank and other loans	(3,395)	(3,715)
Creditors and taxation	(5,386)	(2,466)
Deferred taxation	345	(120)
Goodwill	6,262	440
Minority interests	241	(1,371)
Loans from minority interests	(22)	(294)
	13,835	5,136
Less: investments amount just held prior to purchase	(3,419)	(1,309)
	10,416	3,827
Discharged by:		
Cash payment	7,624	5,684
Less: cash and cash equivalents purchased	1,264	(1,857)
Total net cash consideration	8,888	3,827
Deferred consideration	1,528	–
Total consideration	10,416	3,827

Notes to the Accounts

29 Notes to Consolidated Cash Flow Statement (cont'd)

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
(d) Disposal of subsidiary companies		
Net assets disposed of (excluding cash and cash equivalents):		
Fixed assets	1,049	90
Associated companies	13	–
Interests in joint ventures	1,596	195
Stocks	13	–
Debtors	(378)	122
Bank and other loans	(47)	–
Creditors and taxation	(1,348)	(164)
Goodwill	127	617
Minority interests	(457)	1,000
	568	1,860
Profit on disposal	726	593
	1,294	2,453
Less: investments amount retained subsequent to disposal	(280)	(1,066)
	1,014	1,387
Satisfied by:		
Cash consideration	1,130	1,458
Less: cash and cash equivalents sold	(116)	(71)
Total net cash consideration	1,014	1,387

29 Notes to Consolidated Cash Flow Statement (cont'd)

	Bank and Other Loans HK\$ millions	Minority Interests HK\$ millions	Group Total HK\$ millions
(e) Analysis of changes in financing during the year			
At 1 January 2002	146,417	36,900	183,317
New loans	51,641	1,489	53,130
Repayment of loans	(25,220)	(307)	(25,527)
Issue of shares by subsidiary companies to minorities	–	1,413	1,413
Net cash flows from financing activities	26,421	2,595	29,016
Minority interests in profit	–	1,866	1,866
Dividends payable to minority shareholders	–	(1,398)	(1,398)
Minority interests in exchange reserve	–	1,477	1,477
Minority interests in properties revaluation reserve	–	2	2
Exchange translation differences	3,211	770	3,981
Relating to subsidiary companies acquired	3,395	(219)	3,176
Relating to subsidiary companies disposed of	(47)	(457)	(504)
At 31 December 2002	179,397	41,536	220,933
At 1 January 2001	124,188	35,989	160,177
New loans	68,781	422	69,203
Repayment of loans	(49,116)	(371)	(49,487)
Issue of shares by subsidiary companies to minorities	–	27	27
Net cash flows from financing activities	19,665	78	19,743
Minority interests in profit	–	1,810	1,810
Dividends payable to minority shareholders	–	(2,207)	(2,207)
Minority interests in exchange reserve	–	(1,327)	(1,327)
Minority interests in properties revaluation reserve	–	(12)	(12)
Exchange translation differences	(1,151)	(96)	(1,247)
Relating to subsidiary companies acquired	3,715	1,665	5,380
Relating to subsidiary companies disposed of	–	1,000	1,000
At 31 December 2001	146,417	36,900	183,317

Notes to the Accounts

29 Notes to Consolidated Cash Flow Statement (cont'd)

	Group 2002 HK\$ millions	Group 2001 HK\$ millions
(f) Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	43,002	47,530
Bank overdrafts	(150)	(156)
	42,852	47,374

(g) Major non-cash transactions

During 2001, the investment in VoiceStream was exchanged for approximately 206.6 million Deutsche Telekom shares and a cash consideration of HK\$6,908 million, giving rise to a profit of HK\$30,000 million. In addition, a provision of HK\$29,769 million was made in 2001 for share price and exchange rate fluctuations of overseas investments (Note 6).

30 Contingent Liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	Company HK\$ millions	Subsidiaries HK\$ millions	2002 Total HK\$ millions	Company HK\$ millions	Subsidiaries HK\$ millions	2001 Total HK\$ millions
To associated companies						
Property businesses	–	–	–	2,212	–	2,212
Other businesses	–	335	335	–	–	–
	–	335	335	2,212	–	2,212
To jointly controlled entities						
Property businesses	1,671	3,311	4,982	867	1,407	2,274
Telecommunication businesses	4,133	946	5,079	1,568	3,786	5,354
Other businesses	500	800	1,300	500	886	1,386
	6,304	5,057	11,361	2,935	6,079	9,014

At 31 December 2002 the Group had contingent liabilities in respect of guarantees related to contracts for the procurement of 3G handsets of HK\$14,116 million (2001 – HK\$8,722 million), procurement of 3G infrastructure of HK\$2,036 million (2001 – HK\$2,539 million), and other guarantees of HK\$2,103 million (2001 – HK\$1,158 million) mainly for performance on payments pursuant to contractual obligations.

30 Contingent Liabilities (cont'd)

Pursuant to the disclosure requirements of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have already been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated debt included in Notes 20 and 22 totalling HK\$179,397 million (2001 – HK\$146,417 million), the Company has guaranteed a total of HK\$131,843 million (2001 – HK\$115,502 million) which has been borrowed in the name of subsidiary companies.

31 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2002 are as follows:

Capital commitments

1. Contracted for:

- i. Container terminals, Hong Kong – HK\$474 million (2001 – HK\$342 million).
- ii. Container terminals, Mainland China – HK\$4,030 million (2001 – HK\$19 million).
- iii. Container terminals, others – HK\$953 million (2001 – HK\$1,102 million).
- iv. Telecommunications, 3G – HK\$20,851 million (2001 – HK\$4,343 million).
- v. Telecommunications, others – HK\$1,659 million (2001 – HK\$317 million).
- vi. Investment properties in Hong Kong – HK\$212 million (2001 – HK\$82 million).
- vii. Investments in properties joint venture projects in Mainland China – nil (2001 – HK\$111 million).
- viii. Other fixed assets, HK\$1,960 million (2001 – HK\$3,643 million).
- ix. Other investments, HK\$2,905 million (2001 – HK\$88 million).

2. Authorised but not contracted for:

The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

- i. Container terminals, Hong Kong – HK\$1,181 million (2001 – HK\$560 million).
- ii. Container terminals, Mainland China – HK\$3,099 million (2001 – HK\$261 million).
- iii. Container terminals, others – HK\$2,971 million (2001 – HK\$2,875 million).
- iv. Telecommunications, 3G – HK\$23,761 million (2001 – HK\$41,071 million).
- v. Telecommunications, others – HK\$3,056 million (2001 – HK\$753 million).
- vi. Investment properties in Hong Kong – HK\$723 million (2001 – HK\$58 million).
- vii. Investments in investment properties joint venture projects in Hong Kong – nil (2001 – HK\$1 million).
- viii. Investments in overseas investment properties joint venture projects – nil (2001 – HK\$119 million).
- ix. Other fixed assets – HK\$4,666 million (2001 – HK\$10,632 million).
- x. Other investments – HK\$1,225 million (2001 – HK\$1,264 million).

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

3G Telecommunications operations

1. Expiring in the first year – HK\$529 million (2001 – HK\$197 million).
2. Expiring in the second to fifth years inclusive – HK\$2,000 million (2001 – HK\$527 million).
3. Expiring after the fifth year – HK\$6,680 million (2001 – HK\$2,056 million).

Notes to the Accounts

31 Commitments (cont'd)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

Other operations

1. Expiring in the first year – HK\$2,407 million (2001 – HK\$2,011 million).
2. Expiring in the second to fifth years inclusive – HK\$5,715 million (2001 – HK\$5,589 million).
3. Expiring after the fifth year – HK\$8,017 million (2001 – HK\$6,015 million).

Operating lease commitments – future aggregate minimum lease payments for other assets

3G Telecommunications operations

1. Expiring in the first year – HK\$66 million (2001 – HK\$24 million)
2. Expiring in the second to fifth years inclusive – HK\$64 million (2001 – HK\$39 million)
3. Expiring after the fifth year – HK\$2 million (2001 – nil)

Other operations

1. Expiring in the first year – HK\$308 million (2001 – HK\$391 million)
2. Expiring in the second to fifth years inclusive – HK\$856 million (2001 – HK\$865 million)
3. Expiring after the fifth year – HK\$1,431 million (2001 – HK\$1,657 million)

32 Related Parties Transactions

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2002, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK\$21,094 million (2001 – HK\$20,748 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK\$3,298 million (2001 – HK\$3,037 million) for the benefit of these same entities.

33 Subsequent Events

In January 2003, the Group signed an agreement with Nestlé Waters for the acquisition by Nestlé Waters of the Powwow group, the Group's water manufacturing and distributing business in Europe, for a purchase price of EUR560 million.

In February 2003, the Group issued US\$1,500 million principal amount of 6.5% notes due in 2013, the proceeds of which will be used to repay a portion of the Exchangeable Notes due in 2003 (Note 20b).

In March 2003, the Group issued AUD800 million principal amount of floating interest rate notes due in 2008, the proceeds of which will be used to refinance bank loans due in 2003 totalling AUD797 million (Note 20a).

34 US Dollar Equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK\$7.80 to US\$1.

35 Approval of Accounts

The accounts set out on page 93 to 143 were approved by the Board of Directors on 20 March 2003.