Risk Factors

The Group's business, financial condition and results of operations may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Industry Trends and Interest Rates

The Group's results are affected by trends in the industries in which it operates, including the ports and related services, property and hotels, retail, infrastructure and energy, and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have, in the past, been adversely affected by industry trends, for example, declining property values in Hong Kong, lower oil and gas prices, cyclical downturn in the business of shipping lines, decline in the value of securities investments, and also volatility in interest rates. There can be no assurance that the combination of industry trends and interest rates experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon the interest rate and currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial condition and results of operations.

Cashflow and Liquidity

From time to time, the Group accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions are impacted by many factors which, among others, include the liquidity in the capital markets and the Group's credit ratings. Although the Group aims to maintain a capital structure that is appropriate for long-term investment gradings, the actual credit ratings may depart from these levels due to economic circumstances. If the liquidity in the capital markets declines and/or the credit ratings of the Group decline, the availability and cost of borrowings could be affected and thereby impact the Group's financial condition and results of operations.

Currency Fluctuations

The Group reports its results in Hong Kong dollars but its subsidiaries and associated companies in various countries around the world receive revenue and incur expenses in approximately 48 different local currencies. The Group's subsidiaries and associated companies also incur debt in these local currencies. The Group is thereby exposed to the potentially adverse impact of currency fluctuations on translation of the accounts and debts of these subsidiaries and associates and also on the repatriation of earnings, equity investments and loans. Although the Group actively manages its currency exposures, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial condition and results of operations.

Crude Oil and Natural Gas Markets

Husky Energy Inc.'s ("Husky") financial performance is highly sensitive to the volatility of crude oil and natural gas prices. Fluctuations in crude oil or natural gas prices could have a material effect on Husky's operations, financial condition, proved reserves value and cash flow. Political developments and compliance or non-compliance with quotas imposed upon members of the Organization of Petroleum Exporting Countries can affect world oil supply and oil prices. Natural gas prices realised by Husky are affected primarily by supply and demand as well as transportation infrastructure in North America and by prices of alternative sources of energy. The development of oil and natural gas discoveries in offshore areas and the development of oil sands projects are particularly dependent upon the outlook for oil and natural gas prices due to the large capital expenditure required for development prior to commencing production. Volatility in crude oil and natural gas prices could adversely affect the Group's financial condition and results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, the intensification of price competition by existing competitors, product innovation or technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- vertical integration of international shipping lines, who are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require the use of the Group's terminal facilities;

- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, rate of customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenue it receives as a major provider of telecommunications services;

- risk of competition from entities providing alternate telecommunications technologies and potential competition in the future from substitute technologies being developed or to be developed;

- an increasing number of developers undertaking property investment and development in the Mainland, which may result in lower returns achieved on the Group's property developments; and

- expected continuous significant competition and pricing pressure from retail competitors in Asia and Europe which may adversely affect the financial performance of the Group's retail operations.

Strategic Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries, associated companies and jointly controlled entities in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries, associated companies and jointly controlled entities and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries, associated companies and jointly controlled entities may undergo a change of control or financial difficulties which may affect the Group's financial condition and results of operations.

Future Growth

The Group continues to expand the scale and geographical spread of its established businesses through investment in organic growth and selective acquisitions. Success of the Group's acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the acquired businesses successfully and thereby not achieve the expected financial benefits, may not adversely affect the Group's financial condition and results of operations.

The Group has made substantial investments in acquiring 3G licences and developing its 3G networks in Europe, Australia, Israel, Hong Kong and Macau. In order to grow its customer base, the Group has made significant investments in customer acquisition costs in each of **3** Group's markets. The Group may need to incur more capital expenditure to expand or improve its 3G network and incur more customer acquisition costs to build **3** Group's customer base. To achieve profitability and the expected return on the Group's investment, the 3G businesses need to continue to increase customer levels and operating margins in order to cover running operating costs, customer acquisition costs and capital expenditure requirements. If the Group is unable to significantly increase customer levels and operating margins, the cost of operating its 3G businesses could increase the total investment and funding requirement for these businesses and impact the Group's financial condition and results of operations.

Risk Factors

As at 31 December 2008, the Group had a total deferred tax asset balance of HK$13,248 million, of which HK$12,002 million was attributable to the Group's 3G operations in the UK. The ultimate realisation of these deferred tax assets depends principally on the Group's businesses achieving profitability and generating sufficient taxable profits to utilise these unused tax losses. If there is a significant adverse change in the projected performance and resulting taxable profits of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the profit and loss account, which would have an adverse effect on the Group's financial condition and results of operations. In the UK, the Group enjoys the availability of group relief in relation to taxation losses generated by its 3G operations to offset taxable profits from its other established businesses in the same period. In addition, in the UK taxation losses can be carried forward indefinitely.

Impact of National and International Regulations

As a global business, the Group is exposed to local business risks in several different countries, which could have an adverse effect on its financial condition or results of operations. The Group operates in many countries around the world, and one of its strategies is to expand outside its traditional market in Hong Kong. The Group is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the national or international level, such as those required by the European Union ("EU") or the World Trade Organisation.
These include:

- changes in tariffs and trade barriers;
- changes in taxation regulations and interpretations;
- competition (anti-trust) law applicable to all of the Group's activities, including the regulation of monopolies and conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and law requiring the approval of certain mergers, acquisition and joint ventures which could restrict the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;
- delays in the process of obtaining or maintaining licences, permits and governmental approvals necessary to operate certain businesses, particularly certain of the Group's infrastructure businesses and certain of its property development joint ventures in the Mainland;
- telecommunications and broadcasting regulations; and
- environmental laws and regulations.

There can be no assurance that the European institutions and/or the regulatory authorities of the EU member states in which the **3** Group operates will not make decisions or interpret and implement the EU or national regulations in a manner that does not adversely affect the Group's financial condition and results of operations in the future.

Ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime changes or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations, including the Group's port operations.

The Group's joint venture development projects in the Mainland are dependent on obtaining the approval of various governmental authorities at different levels, receipt of which cannot be assured. Changes in the government policies may affect, among others, the level of investment and funding requirements from the Group in these joint venture development projects and henceforth the overall return attributable to the Group.

Husky's business is subject to environmental laws and regulations similar to other companies in the oil and gas industry. In meeting its regulatory obligations, Husky incurs costs for preventative and corrective actions. There can be no assurance that changes to such regulations will not adversely affect Husky's, and therefore the Group's, financial condition and results of operations.

New policies or measures by governments, whether fiscal, regulatory or other competitive changes, may pose a risk to the overall investment return of the Group's infrastructure and energy businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenue and profit.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by competent authorities in individual countries. All of these licences have historically been issued for a set duration and renewed, however renewal may not be guaranteed, or, if the licenses are renewed, their terms may be changed. These licences contain a number of requirements and carrier obligations regarding the way the Group must conduct its businesses, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences to the Group or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in given spectrum band), could result in the Group facing unforeseen competition, and could adversely affect the Group's financial condition and results of operations.

The Group's overall success as a global business depends, in part, upon its ability to succeed in different economic, social and political conditions. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business.

Hong Kong and the Mainland

A significant portion of the Group's operations are conducted in Hong Kong. As a result, the Group's financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly the Mainland. There can be no assurance that the Group's financial condition and results of operations will not be adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland's trading relationships with other countries have, from time to time, adversely affected the Hong Kong economy and property market.

The Group currently has investments in many joint venture companies in the Mainland, and could decide to invest considerable capital resources to enter various markets in the Mainland. The value of the Group's investments therein may be adversely affected by significant political, social or legal uncertainties. The Chinese government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Chinese economy and could discourage foreign investments.

Impact of New Accounting Standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is continuing its policy of issuing Hong Kong Financial Reporting Standards ("HKFRS") and interpretations which fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Commission of the European Communities has recently issued a report confirming that Hong Kong is identified as a region which has fully adopted or implemented IFRS. HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on the Group's financial position and results of operations.

Risk Factors

Impact of accounting issue under review by the US Securities and Exchange Commission

As part of its periodic review of the company filings of HTIL, the Group's subsidiary company listed on the New York Stock Exchange, the US Securities and Exchange Commission ("SEC") sent HTIL comments in August 2008 regarding its Annual Report on Form 20-F for the year ended 31 December 2007. One comment that remains unresolved relates to the accounting treatment of sale and leaseback transactions for base station tower sites entered into by HTIL's Indonesia subsidiary, PT Hutchison CP Telecommunications, in 2008. These transactions were disclosed as a subsequent event in the HTIL's 2007 accounts, and details of the transactions and the applicable accounting treatment are disclosed in HTIL's 2008 Annual Report. The Group believes the accounting treatment HTIL has adopted is appropriate, and is continuing to engage with and provide further requested information to the SEC. The Group cannot predict the outcome of this review, and there is a risk that an adjustment to the Group's accounts may be required in order to account for the sale and leaseback transactions as a finance lease. If the Group were required to account for the sale and leaseback transactions as a finance lease, the Group would not recognise a gain from the sales of the base station tower sites or an operating lease expense. Instead, the Group would be required to recognise the leased assets and the related finance lease obligations on the balance sheet and to recognise depreciation expense on the leased asset and an interest element of the lease payment as interest expense.

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in the Mainland, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Recently, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A" among birds, poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease. If such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its financial position and results of operations may be adversely affected.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's financial condition and results of operations. For example, the Mainland recently experienced a severe earthquake that caused significant property damage and loss of life.

Although the Group has not experienced any major structural damage to development projects or ports or other facilities from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's development projects or ports or other facilities on the general supporting infrastructure facilities in the vicinity, which could adversely effect the Group's financial condition and results of operations.