1 Basis of preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out in note 2.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

In addition, the Group has adopted amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets", with retrospective effect, ahead of its mandatory effective date of 1 January 2012. As a result of the adoption of amendments to HKAS 12, the Group now measures deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

The effects, where material, of the adoption of amendments to HKAS 12 "Income Taxes" are summarised below:

(a) Estimated effect on the consolidated income statement for the year ended 31 December 2011

	Amendments to HKAS 12 "Income Taxes" HK$ millions
Company and subsidiary companies:	
Revenue	–
Cost of inventories sold	–
Staff costs	–
Telecommunications customer acquisition costs	–
Depreciation and amortisation	–
Other operating expenses	–
Change in fair value of investment properties	–
Profits on disposal of investments and others	–
Share of profits less losses after tax of:	
Associated companies	25
Jointly controlled entities	44
	69
Interest expenses and other finance costs	–
Profit before tax	69
Current tax	–
Deferred tax credit (charge)	–
Profit after tax	69
Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities	–
Profit attributable to ordinary shareholders of the Company	69
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$ 0.016

1 Basis of preparation (continued)

(b) Estimated effect on the consolidated statement of financial position as at 31 December 2011

	Amendments to HKAS 12 "Income Taxes" HK$ millions
ASSETS	
Non-current assets	
Fixed assets	–
Investment properties	–
Leasehold land	–
Telecommunications licences	–
Goodwill	–
Brand names and other rights	–
Associated companies	86
Interests in joint ventures	115
Deferred tax assets	(8)
Other non-current assets	–
Liquid funds and other listed investments	–
	193
Current assets	
Cash and cash equivalents	–
Trade and other receivables	–
Inventories	–
	–
Current liabilities	
Trade and other payables	–
Bank and other debts	–
Current tax liabilities	–
	–
Net current assets	–
Total assets less current liabilities	193
Non-current liabilities	
Bank and other debts	–
Interest bearing loans from non-controlling shareholders	–
Deferred tax liabilities	(4,433)
Pension obligations	–
Other non-current liabilities	–
	(4,433)
Net assets	4,626
CAPITAL AND RESERVES	
Share capital	–
Perpetual capital securities	–
Reserves	4,620
Total ordinary shareholders' funds and perpetual capital securities	4,620
Non-controlling interests	6
Total equity	4,626

1 Basis of preparation (continued)

(c) Effect on the consolidated income statement for the year ended 31 December 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
Company and subsidiary companies:			
Revenue	209,180	–	209,180
Cost of inventories sold	(78,321)	–	(78,321)
Staff costs	(28,768)	–	(28,768)
Telecommunications customer acquisition costs	(16,013)	–	(16,013)
Depreciation and amortisation	(14,932)	–	(14,932)
Other operating expenses	(50,456)	–	(50,456)
Change in fair value of investment properties	855	–	855
Share of profits less losses after tax of:			
Associated companies	6,469	–	6,469
Jointly controlled entities	9,382	5	9,387
	37,396	5	37,401
Interest and other finance costs	(8,476)	–	(8,476)
Profit before tax	28,920	5	28,925
Current tax charge	(2,493)	–	(2,493)
Deferred tax credit (charge)	(847)	141	(706)
Profit after tax	25,580	146	25,726
Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities	(5,542)	(5)	(5,547)
Profit attributable to ordinary shareholders of the Company	20,038	141	20,179
Earnings per share for profit attributable to shareholders of the Company	HK$ 4.70	HK$ 0.03	HK$ 4.73

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(d) Effect on the consolidated statement of financial position as at 31 December 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
ASSETS			
Non-current assets			
Fixed assets	167,851	–	167,851
Investment properties	43,240	–	43,240
Leasehold land	27,561	–	27,561
Telecommunications licences	68,333	–	68,333
Goodwill	27,332	–	27,332
Brand names and other rights	12,865	–	12,865
Associated companies	105,528	61	105,589
Interests in joint ventures	54,032	71	54,103
Deferred tax assets	14,105	(8)	14,097
Other non-current assets	9,131	–	9,131
Liquid funds and other listed investments	24,585	–	24,585
	554,563	124	554,687
Current assets			
Cash and cash equivalents	91,652	–	91,652
Trade and other receivables	57,229	–	57,229
Inventories	17,733	–	17,733
	166,614	–	166,614
Current liabilities			
Trade and other payables	80,889	–	80,889
Bank and other debts	23,122	–	23,122
Current tax liabilities	2,900	–	2,900
	106,911	–	106,911
Net current assets	59,703	–	59,703
Total assets less current liabilities	614,266	124	614,390
Non-current liabilities			
Bank and other debts	228,134	–	228,134
Interest bearing loans from non-controlling shareholders	13,493	–	13,493
Deferred tax liabilities	14,290	(4,433)	9,857
Pension obligations	1,702	–	1,702
Other non-current liabilities	3,945	–	3,945
	261,564	(4,433)	257,131
Net assets	352,702	4,557	357,259
CAPITAL AND RESERVES			
Share capital	1,066	–	1,066
Perpetual capital securities	15,600	–	15,600
Reserves	292,831	4,536	297,367
Total ordinary shareholders' funds and perpetual capital securities	309,497	4,536	314,033
Non-controlling interests	43,205	21	43,226
Total equity	352,702	4,557	357,259

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(e) Effect on the consolidated income statement for the year ended 31 December 2009

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
Company and subsidiary companies:			
Revenue	208,808	–	208,808
Cost of inventories sold	(74,275)	–	(74,275)
Staff costs	(28,309)	–	(28,309)
Telecommunications customer acquisition costs	(16,544)	–	(16,544)
Depreciation and amortisation	(16,258)	–	(16,258)
Other operating expenses	(60,769)	–	(60,769)
Change in fair value of investment properties	1,117	–	1,117
Profit on disposal of investments	12,472	–	12,472
Share of profits less losses after tax of:			
Associated companies	5,390	–	5,390
Jointly controlled entities	3,677	50	3,727
	35,309	50	35,359
Interest and other finance costs	(9,613)	–	(9,613)
Profit before tax	25,696	50	25,746
Current tax charge	(4,588)	–	(4,588)
Deferred tax credit	92	177	269
Profit after tax	21,200	227	21,427
Allocated as: Profit attributable to non-controlling interests	(7,569)	(4)	(7,573)
Profit attributable to shareholders of the Company	13,631	223	13,854
Earnings per share for profit attributable to shareholders of the Company	HK$ 3.20	HK$ 0.05	HK$ 3.25

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(f) Effect on the consolidated statement of financial position as at 31 December 2009 and as at the beginning of 1 January 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
ASSETS			
Non-current assets			
Fixed assets	176,192	–	176,192
Investment properties	42,323	–	42,323
Leasehold land	29,191	–	29,191
Telecommunications licences	70,750	–	70,750
Goodwill	28,858	–	28,858
Brand names and other rights	7,351	–	7,351
Associated companies	83,716	61	83,777
Interests in joint ventures	51,568	66	51,634
Deferred tax assets	14,657	(7)	14,650
Other non-current assets	5,286	–	5,286
Liquid funds and other listed investments	23,213	–	23,213
	533,105	120	533,225
Current assets			
Cash and cash equivalents	92,521	–	92,521
Trade and other receivables	48,146	–	48,146
Inventories	16,593	–	16,593
	157,260	–	157,260
Current liabilities			
Trade and other payables	73,029	–	73,029
Bank and other debts	17,589	–	17,589
Current tax liabilities	3,249	–	3,249
	93,867	–	93,867
Net current assets	63,393	–	63,393
Total assets less current liabilities	596,498	120	596,618
Non-current liabilities			
Bank and other debts	242,851	–	242,851
Interest bearing loans from non-controlling shareholders	13,424	–	13,424
Deferred tax liabilities	13,355	(4,292)	9,063
Pension obligations	2,436	–	2,436
Other non-current liabilities	4,520	–	4,520
	276,586	(4,292)	272,294
Net assets	319,912	4,412	324,324
CAPITAL AND RESERVES			
Share capital	1,066	–	1,066
Reserves	281,433	4,396	285,829
Total shareholders' funds	282,499	4,396	286,895
Non-controlling interests	37,413	16	37,429
Total equity	319,912	4,412	324,324

* In the audited 2010 annual accounts.

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2011 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 2(c) and 2(d) 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 2011 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 2(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

An associate is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

A jointly controlled entity is a joint venture which involves the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, 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	$3^1/_3$ - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2 Significant accounting policies (continued)

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

(h) Telecommunications licences

Telecommunications licences are comprised of the upfront payments and non-cash consideration made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date of first commercial usage of the spectrum.

Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected contracted or expected licence periods ranging from approximately 9 to 20 years and are stated net of accumulated amortisation.

(i) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily **3**G customers. All telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

(j) Goodwill

Goodwill is initially measured at cost being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and jointly controlled entities at the date of acquisition, and subject to impairment test annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Brand names and other rights

The payments and non-cash consideration made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with finite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years. Brand names and other rights are stated net of accumulated amortisation, if any.

2 Significant accounting policies (continued)

(l) Deferred tax

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(m) Liquid funds and other listed investments and other unlisted investments

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

2 Significant accounting policies (continued)

(n) Derivative financial instruments and hedging activities

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

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement as interest expenses and other finance costs. At the same time the carrying amount of the hedged asset or liability in the statement of financial position is adjusted for the changes in fair value.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then they are included in the initial cost of the asset or liability.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(p) 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.

(q) Inventories

Inventories consist mainly of retail goods and the carrying value is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2 Significant accounting policies (continued)

(s) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceed (net of transaction costs) and the settlement or redemption amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

(v) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(w) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(x) 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 income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(y) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

2 Significant accounting policies (continued)

(z) Pension plans

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

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement 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. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs are charged against the income statement within staff costs.

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

(aa) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(ab) 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 end of the reporting period.

The accounts of foreign operations (i.e. subsidiary companies, associated companies, jointly controlled entities or branches whose activities are based or conducted in a country or currency other than those of the Company) are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

2 Significant accounting policies (continued)

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

Revenue from the provision of ports and related services is recognised when the service is rendered.

Property and hotels

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the relevant occupation permit, whichever is later, and the economic benefit accrues to the Group and the significant risks and rewards of the properties accrue to the purchasers.

Rental income is recognised on a straight-line basis over the period of the lease.

Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

Retail

Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Infrastructure

Income from infrastructure projects is recognised on a time proportion basis, using the effective interest method.

Income from long-term contracts is recognised according to the stage of completion.

Energy

Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded when title passes to an external party.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is rendered.

Mobile and fixed-line telecommunications services

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.

For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a device (e.g. handsets), the amount of revenue recognised upon the sale of the device is accrued as determined by considering the estimated fair values of each of the services element and device element of the contract.

Other service income is recognised when the service is rendered.

Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income.

Total revenue arising from mobile and fixed-line telecommunications services comprises of service revenue, other service income and sale of device revenue.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

2 Significant accounting policies (continued)

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRS 7 (Amendments) (i)	Transfers of Financial Assets
HKFRS 7 (Amendments) (ii)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9 (iv)	Financial Instruments
HKFRS 9 and 7 (Amendments) (iv)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 10 (ii)	Consolidated Financial Statements
HKFRS 11 (ii)	Joint Arrangements
HKFRS 12 (ii)	Disclosure of Interests in Other Entities
HKFRS 13 (ii)	Fair Value Measurement
HKAS 27 (2011) (ii)	Separate Financial Statements
HKAS 28 (2011) (ii)	Investments in Associates and Joint Ventures
HKAS 1 (Amendments) (ii)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011) (ii)	Employees Benefits
HKAS 32 (Amendments) (iii)	Offsetting Financial Assets and Financial Liabilities

(i) Effective for the Group for annual periods beginning on or after 1 January 2012
(ii) Effective for the Group for annual periods beginning on or after 1 January 2013
(iii) Effective for the Group for annual periods beginning on or after 1 January 2014
(iv) Effective for the Group for annual periods beginning on or after 1 January 2015

The adoption of standards, amendments and interpretations listed above, with the exception of HKFRS 9 in future periods is not expected to result in substantial changes to the Group's accounting policies.

In December 2011, the HKICPA issued Amendments to HKFRS 9 and 7, Mandatory Effective Date of HKFRS 9 and Transition Disclosures, which deferred the effective date of HKFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in HKFRS 7. The HKICPA intends to expand HKFRS 9 to add new requirements for impairment of financial assets measured at amortised cost, and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further development resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

3 Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

(a) Long-lived assets

The Group has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed-line telecommunications networks and licences, container terminals, and properties. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates.

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

The Group's **3**G businesses have achieved a second year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at 31 December 2011 and 31 December 2010 to assess whether the carrying values of the Group's **3**G telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated that no impairment charge was necessary.

The future cash flow projections for the **3**G businesses reflect growing recurring revenue and margins derived from an accumulating customer base and diminishing ongoing investments in network infrastructure and in customer acquisitions.

3 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programmes. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Average customer acquisition costs in the start-up years of operation have also been significant, but have declined due to the improved market acceptance of the 3G technology and on the widening availability, improving attractiveness and lower unit cost of **3**G handsets.

For the purposes of impairment tests, the recoverable amount of the Group's **3**G telecommunications licences, network assets and goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting current and prior year performances and market development expectations. Projections in excess of the approved financial budgets period are used to take into account telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment tests, a market specific growth rate ranging from approximately 2% to 3% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect our expectation of the performance of these businesses nor our forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 5.8% and 6.2% used in the Group's **3**G operations in Italy and the UK respectively). Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications licences

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected licence periods and are stated net of accumulated amortisation. Licences are reviewed for impairment annually.

On the basis of confirmation from the Ministry of the Italian Government that the Group's **3**G licence term in Italy can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence, and the enactment by the UK Houses of Parliament of a statutory instrument, which inter alia changes the life of the Group's **3**G licence to indefinite, the Group's **3**G licences in Italy and in the UK are considered to have an indefinite useful life.

Judgement is required to determine the useful lives of the Group's telecommunications licences. The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted or expected licence periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(iii) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily **3**G customers. All telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

Judgement is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

3 Critical accounting estimates and judgements (continued)

(c) Goodwill

Goodwill is initially measured at cost being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test described above.

(d) Investment properties valuation

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in the income statement.

(e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

The **3**G businesses commenced commercial operations from 2003 and some of these businesses are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's **3**G operation in the UK where, amongst other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. In addition, deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's **3**G operations in Sweden and Denmark, which have become profitable and are expected to have sufficient taxable profits available in the foreseeable future to utilise their unused tax losses. The ultimate realisation of deferred tax assets recognised for **3** UK, **3** Sweden and **3** Denmark depends principally on these businesses achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

3 Critical accounting estimates and judgements (continued)

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the income statement 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. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(g) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(x). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(x). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

(h) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the elements as a result of changes in market conditions.

4 Turnover and revenue

Turnover comprises revenues from the sales of goods and development properties, provision of services and rental income from investment properties, interest income and finance charges earned, and dividend income from equity investments. An analysis of revenue of the Company and subsidiary companies is as follows:

	2011 HK$ millions	2010 HK$ millions
Sales of goods	**141,214**	106,882
Rendering of services	**89,223**	99,531
Interest	**3,004**	2,546
Dividends	**259**	221
	233,700	209,180

5 Operating segment information

Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments. Save as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items and the column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items (see notes 19 and 20).

Following the completion of the spin-off and separate listing of Hutchison Port Holdings Trust ("HPH Trust"), which holds the Group's interests in deep water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports, on the Main Board of the Singapore Stock Exchange during the year, as additional information, HPH Trust is presented as a separate operation within the Ports and related services segment. The Group accounts for the retained interests in this former subsidiary as an investment in an associated company. Prior year corresponding segment information that is presented for comparative purposes has been restated accordingly.

Finance & Investments and others represents returns earned on the Group's holdings of cash and liquid investments and includes Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring ("HHR") and listed associate TOM Group and others, and is presented to reconcile to the totals included in the Group's income statement and statement of financial statement.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Ports and related services is HK$7 million (2010 – HK$59 million), Property and hotels is HK$324 million (2010 – HK$310 million) and Hutchison Telecommunications Hong Kong Holdings is HK$121 million (2010 – HK$123 million).

5 Operating segment information (continued)

(a) The following is an analysis of the Group's revenue by operating segments:

	Revenue							
	Company and Subsidiaries	Associates and JCE	2011 Total		Company and Subsidiaries	Associates and JCE	2010 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Ports and related services	25,742	6,776	32,518	8%	24,469	4,649	29,118	9%
Hutchison Ports Group other than HPH Trust operations	24,628	4,566	29,194	7%	21,674	4,476	26,150	8%
HPH Trust / HPH Trust operations#	1,114	2,210	3,324	1%	2,795	173	2,968	1%
Property and hotels	6,046	11,180	17,226	4%	5,682	10,477	16,159	5%
Retail	118,051	25,513	143,564	37%	102,014	21,163	123,177	38%
Cheung Kong Infrastructure	3,637	26,790	30,427	8%	2,997	15,268	18,265	6%
Husky Energy	–	63,027	63,027	16%	–	44,640	44,640	14%
Hutchison Telecommunications Hong Kong Holdings	13,407	–	13,407	4%	9,880	–	9,880	3%
Hutchison Asia Telecommunications	2,332	–	2,332	1%	2,486	–	2,486	1%
3 Group	56,877	17,411	74,288	19%	47,823	16,382	64,205	20%
Finance & Investments and others	6,545	4,383	10,928	3%	5,578	3,231	8,809	3%
	232,637	155,080	387,717	100%	200,929	115,810	316,739	99%
Reconciliation item	–	–	–	–	2,238	119	2,357	1%
	232,637	155,080	387,717	100%	203,167	115,929	319,096	100%
Non-controlling interests' share of HPH Trust / HPH Trust operations' revenue	1,063	726	1,789		6,013	240	6,253	
	233,700	155,806	389,506		209,180	116,169	325,349	

represents the Group's attributable share of HPH Trust / HPH Trust operations' revenue based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. revenue reduced by HK$1,789 million and HK$8,610 million for 2011 and 2010 respectively, being (1) HK$2,357 million adjustment to reduce 2010 revenue to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$1,789 million and HK$6,253 million adjustments to exclude non-controlling interests' share of revenue of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

(b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA (LBITDA) (m)							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Ports and related services(o)	8,183	3,562	11,745	14%	7,964	2,321	10,285	17%
Hutchison Ports Group other than HPH Trust operations	7,557	2,317	9,874	12%	6,417	2,217	8,634	14%
HPH Trust / HPH Trust operations#	626	1,245	1,871	2%	1,547	104	1,651	3%
Property and hotels	4,122	5,781	9,903	12%	3,472	5,807	9,279	15%
Retail	9,626	2,098	11,724	15%	8,197	1,884	10,081	16%
Cheung Kong Infrastructure	1,405	15,837	17,242	22%	1,219	9,788	11,007	18%
Husky Energy	–	16,053	16,053	20%	–	8,987	8,987	15%
Hutchison Telecommunications Hong Kong Holdings	2,618	(2)	2,616	3%	2,191	(20)	2,171	4%
Hutchison Asia Telecommunications(p)	(142)	–	(142)	–	(1,893)	–	(1,893)	-3%
3 Group	8,030	2,494	10,524	13%	5,424	3,294	8,718	14%
Finance & Investments and others	(375)	1,062	687	1%	218	849	1,067	2%
	33,467	46,885	80,352	100%	26,792	32,910	59,702	98%
Reconciliation item	–	–	–	–	1,244	66	1,310	2%
EBITDA before property revaluation and profits on disposal of investments and others	33,467	46,885	80,352	100%	28,036	32,976	61,012	100%
Dilution gain arising from spin-off and separate listing of HPH Trust (see note 6(a))	55,644	–	55,644		–	–	–	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBITDA	677	510	1,187		3,829	147	3,976	
EBITDA (see note 33(a))	89,788	47,395	137,183		31,865	33,123	64,988	
Less: Depreciation and amortisation	(14,080)	(15,656)	(29,736)		(14,932)	(11,820)	(26,752)	
Add: One-time gains(q)	457	–	457		3,757	–	3,757	
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
Provision for impairment on certain port assets (see note 6(b))	(8,185)	–	(8,185)		–	–	–	
Provision for impairment on fixed assets (see note 6(c))	(2,997)	–	(2,997)		–	–	–	
Write-off of fixed assets (see note 6(d))	(1,315)	–	(1,315)		–	–	–	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(6,389)	(6,389)		–	(3,830)	(3,830)	
Current tax	–	(4,047)	(4,047)		–	(3,015)	(3,015)	
Deferred tax	–	(2,106)	(2,106)		–	(1,947)	(1,947)	
Non-controlling interests	–	(281)	(281)		–	2	2	
	63,668	19,696	83,364		21,545	15,856	37,401	

represents the Group's attributable share of HPH Trust / HPH Trust operations' EBITDA based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. EBITDA reduced by HK$1,187 million and HK$5,286 million for 2011 and 2010 respectively, being (1) HK$1,310 million adjustment to reduce 2010 EBITDA to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$1,187 million and HK$3,976 million adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

(c) The following is an analysis of the Group's results by operating segments by EBIT:

	EBIT (LBIT) (n)							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Ports and related services(o)	5,760	2,466	8,226	16%	5,496	1,711	7,207	18%
Hutchison Ports Group other than HPH Trust operations	5,257	1,680	6,937	13%	4,251	1,626	5,877	15%
HPH Trust / HPH Trust operations#	503	786	1,289	3%	1,245	85	1,330	3%
Property and hotels	3,870	5,647	9,517	18%	3,189	5,658	8,847	23%
Retail	7,722	1,608	9,330	18%	6,388	1,478	7,866	20%
Cheung Kong Infrastructure	1,273	12,205	13,478	26%	1,077	7,377	8,454	22%
Husky Energy	–	8,614	8,614	17%	–	3,073	3,073	8%
Hutchison Telecommunications Hong Kong Holdings	1,439	(4)	1,435	3%	1,111	(21)	1,090	3%
Hutchison Asia Telecommunications(p)	(1,181)	–	(1,181)	-2%	(2,688)	–	(2,688)	-7%
3 Group(q)								
EBITDA before the following:	27,633	7,651	35,284		19,004	7,621	26,625	
Telecommunications CACs	(19,603)	(5,157)	(24,760)		(13,580)	(4,327)	(17,907)	
EBITDA before the following non-cash items (see note 33(e)):	8,030	2,494	10,524		5,424	3,294	8,718	
Depreciation	(6,502)	(1,736)	(8,238)		(6,827)	(1,394)	(8,221)	
Amortisation of licence fees and other rights	(419)	(843)	(1,262)		(552)	(771)	(1,323)	
One-time gains(q)	457	–	457		3,757	–	3,757	
EBIT (LBIT) - 3 Group(q)	1,566	(85)	1,481	3%	1,802	1,129	2,931	8%
Finance & Investments and others	(479)	949	470	1%	88	722	810	2%
	19,970	31,400	51,370	100%	16,463	21,127	37,590	97%
Reconciliation item	–	–	–	–	1,003	55	1,058	3%
EBIT before property revaluation and profits on disposal of investments and others	19,970	31,400	51,370	100%	17,466	21,182	38,648	100%
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
EBIT	19,970	32,180	52,150		18,321	24,525	42,846	
Group's share of profits on disposal of investments and others (see note 6)	32,868	–	32,868		–	–	–	
Non-controlling interests' share of profits on disposal of investments and others (see note 6)	10,279	–	10,279		–	–	–	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBIT	551	339	890		3,224	121	3,345	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(6,389)	(6,389)		–	(3,830)	(3,830)	
Current tax	–	(4,047)	(4,047)		–	(3,015)	(3,015)	
Deferred tax	–	(2,106)	(2,106)		–	(1,947)	(1,947)	
Non-controlling interests	–	(281)	(281)		–	2	2	
	63,668	19,696	83,364		21,545	15,856	37,401	

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' EBIT based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. EBIT reduced by HK$890 million and HK$4,403 million for 2011 and 2010 respectively, being (1) HK$1,058 million adjustment to reduce 2010 EBIT to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$890 million and HK$3,345 million adjustments to exclude non-controlling interests' share of EBIT of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

	Depreciation and amortisations					
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions
Ports and related services	2,423	1,096	3,519	2,468	610	3,078
Hutchison Ports Group other than HPH Trust operations	2,300	637	2,937	2,166	591	2,757
HPH Trust / HPH Trust operations#	123	459	582	302	19	321
Property and hotels	252	134	386	283	149	432
Retail	1,904	490	2,394	1,809	406	2,215
Cheung Kong Infrastructure	132	3,632	3,764	142	2,411	2,553
Husky Energy	–	7,439	7,439	–	5,914	5,914
Hutchison Telecommunications Hong Kong Holdings	1,179	2	1,181	1,080	1	1,081
Hutchison Asia Telecommunications	1,039	–	1,039	795	–	795
3 Group	6,921	2,579	9,500	7,379	2,165	9,544
Finance & Investments and others	104	113	217	130	127	257
	13,954	15,485	29,439	14,086	11,783	25,869
Reconciliation item	–	–	–	241	11	252
	13,954	15,485	29,439	14,327	11,794	26,121
Non-controlling interests' share of HPH Trust / HPH Trust operations' depreciation and amortisation	126	171	297	605	26	631
	14,080	15,656	29,736	14,932	11,820	26,752

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' depreciation and amortisation based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. depreciation and amortisation reduced by HK$297 million and HK$883 million for 2011 and 2010 respectively, being (1) HK$252 million adjustment to reduce 2010 depreciation and amortisation to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$297 million and HK$631 million adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

(e) The following is an analysis of the Group's capital expenditure by operating segments:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	**Telecom-munications licences**	**Brand names and other rights**	**2011 Total**	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2010 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	**5,928**	**–**	**–**	**5,928**	6,726	–	–	6,726
Hutchison Ports Group other than HPH Trust operations	**5,788**	**–**	**–**	**5,788**	5,735	–	–	5,735
HPH Trust / HPH Trust operations	**140**	**–**	**–**	**140**	991	–	–	991
Property and hotels	**274**	**–**	**–**	**274**	127	–	–	127
Retail	**2,622**	**–**	**–**	**2,622**	1,791	–	–	1,791
Cheung Kong Infrastructure	**353**	**–**	**–**	**353**	70	–	–	70
Husky Energy	**–**	**–**	**–**	**–**	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	**1,143**	**1,532**	**70**	**2,745**	1,118	–	18	1,136
Hutchison Asia Telecommunications	**6,543**	**1,351**	**–**	**7,894**	2,411	–	70	2,481
3 Group[r]	**8,158**	**2,810**	**12**	**10,980**	9,375	146	373	9,894
Finance & Investments and others	**128**	**–**	**–**	**128**	119	–	–	119
	25,149	**5,693**	**82**	**30,924**	21,737	146	461	22,344

(f) The following is an analysis of the Group's total assets by operating segments:

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[s]	**Deferred tax assets**	**Investments in associated companies and interests in joint ventures**	**2011 Total assets**	Segment assets[s]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2010 Total assets
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	**61,143**	**146**	**27,776**	**89,065**	96,734	172	13,892	110,798
Hutchison Ports Group other than HPH Trust operations	**61,143**	**146**	**12,638**	**73,927**	59,948	163	13,516	73,627
HPH Trust / HPH Trust operations	**–**	**–**	**15,138**	**15,138**	36,786	9	376	37,171
Property and hotels	**51,640**	**134**	**39,597**	**91,371**	50,732	109	24,869	75,710
Retail	**48,184**	**444**	**5,559**	**54,187**	45,254	680	5,239	51,173
Cheung Kong Infrastructure	**14,744**	**15**	**68,115**	**82,874**	14,303	9	56,146	70,458
Husky Energy	**–**	**–**	**48,552**	**48,552**	–	–	43,493	43,493
Hutchison Telecommunications Hong Kong Holdings	**18,635**	**369**	**326**	**19,330**	16,783	369	265	17,417
Hutchison Asia Telecommunications	**18,356**	**–**	**–**	**18,356**	18,011	–	–	18,011
3 Group[t]	**199,166**	**15,861**	**12,929**	**227,956**	186,436	12,748	12,929	212,113
Finance & Investments and others	**86,419**	**23**	**2,411**	**88,853**	119,259	10	2,859	122,128
	498,287	**16,992**	**205,265**	**720,544**	547,512	14,097	159,692	721,301

5 Operating segment information (continued)

(g) The following is an analysis of the Group's total liabilities by operating segments:

	Total liabilities							
	Segment liabilities[u]	Current & non-current borrowings[v] and other non-current liabilities	Current & deferred tax liabilities	2011 Total liabilities	Segment liabilities[u]	Current & non-current borrowings[v] and other non-current liabilities	Current & deferred tax liabilities	2010 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	14,993	23,906	4,600	43,499	17,542	41,865	6,449	65,856
Hutchison Ports Group other than HPH Trust operations	14,993	23,906	4,600	43,499	8,701	26,132	4,647	39,480
HPH Trust / HPH Trust operations	–	–	–	–	8,841	15,733	1,802	26,376
Property and hotels	2,142	511	2,356	5,009	1,872	693	2,125	4,690
Retail	23,302	6,421	1,062	30,785	21,381	6,328	973	28,682
Cheung Kong Infrastructure	2,345	14,669	933	17,947	1,945	8,489	1,053	11,487
Husky Energy	–	–	–	–	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	4,541	4,885	241	9,667	3,990	4,175	198	8,363
Hutchison Asia Telecommunications	4,250	2,407	1	6,658	4,339	2,622	584	7,545
3 Group	24,673	117,552	393	142,618	26,759	118,437	349	145,545
Finance & Investments and others	4,839	59,001	1,738	65,578	4,763	86,085	1,026	91,874
	81,085	229,352	11,324	321,761	82,591	268,694	12,757	364,042

Additional information in respect of geographical locations

With effect from the current year, the Group has expanded its list of geographical locations for presentation of additional information. Prior year corresponding information that is presented for comparative purposes has been restated accordingly.

(h) Additional disclosures of the Group's revenue by geographical location are shown below:

	Revenue							
	Company and Subsidiaries	Associates and JCE	2011 Total		Company and Subsidiaries	Associates and JCE	2010 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	49,296	11,490	60,786	16%	42,862	8,352	51,214	16%
Mainland China	21,972	12,937	34,909	9%	18,539	12,044	30,583	9%
Europe	125,232	37,168	162,400	42%	109,726	23,500	133,226	42%
Canada	120	63,004	63,124	16%	127	44,270	44,397	14%
Asia, Australia and others	29,472	26,098	55,570	14%	26,335	24,532	50,867	16%
Finance & Investments and others	6,545	4,383	10,928	3%	5,578	3,231	8,809	3%
	232,637	155,080	387,717 (1)	100%	203,167	115,929	319,096 (1)	100%

(1) see note 5(a) for reconciliation to total revenues included in the Group's income statement.

5 Operating segment information (continued)

(i) Additional disclosures of the Group's EBITDA by geographical location are shown below:

	EBITDA (LBITDA) [m]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Hong Kong	7,491	5,340	12,831	16%	7,389	4,333	11,722	19%
Mainland China	3,327	7,814	11,141	14%	4,220	5,464	9,684	16%
Europe	15,189	10,083	25,272	31%	11,519	4,545	16,064	26%
Canada	115	15,969	16,084	20%	141	8,982	9,123	15%
Asia, Australia and others	7,720	6,617	14,337	18%	4,549	8,803	13,352	22%
Finance & Investments and others	(375)	1,062	687	1%	218	849	1,067	2%
EBITDA before property revaluation and profits on disposal of investments and others	33,467	46,885	80,352 [2]	100%	28,036	32,976	61,012 [2]	100%

(2) see note 5(b) for reconciliation to total EBITDA included in the Group's income statement.

(j) Additional disclosures of the Group's EBIT by geographical location are shown below:

	EBIT (LBIT) [n]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Hong Kong	5,709	4,052	9,761	19%	5,680	3,358	9,038	24%
Mainland China	2,835	6,910	9,745	19%	3,605	4,887	8,492	22%
Europe	6,774	8,235	15,009	29%	6,048	3,609	9,657	25%
Canada	114	8,534	8,648	17%	143	3,094	3,237	8%
Asia, Australia and others	5,017	2,720	7,737	15%	1,902	5,512	7,414	19%
Finance & Investments and others	(479)	949	470	1%	88	722	810	2%
EBIT before property revaluation and profits on disposal of investments and others	19,970	31,400	51,370	100%	17,466	21,182	38,648	100%
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
EBIT	19,970	32,180	52,150 [3]		18,321	24,525	42,846 [3]	

(3) see note 5(c) for reconciliation to total EBIT included in the Group's income statement.

5 Operating segment information (continued)

(k) Additional disclosures of the Group's capital expenditure by geographical location are shown below:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2011 Total	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2010 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	1,841	1,532	62	3,435	1,870	–	14	1,884
Mainland China	1,844	–	–	1,844	1,516	–	–	1,516
Europe	11,043	2,810	12	13,865	12,848	146	373	13,367
Canada	–	–	–	–	–	–	–	–
Asia, Australia and others	10,293	1,351	8	11,652	5,384	–	74	5,458
Finance & Investments and others	128	–	–	128	119	–	–	119
	25,149	5,693	82	30,924	21,737	146	461	22,344

(l) Additional disclosures of the Group's total assets by geographical location are shown below:

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[5]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2011 Total assets	Segment assets[5]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2010 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	76,164	525	28,814	105,503	88,723	734	22,385	111,842
Mainland China	9,354	261	56,318	65,933	27,696	147	30,667	58,510
Europe	266,192	15,921	38,843	320,956	252,903	12,914	25,349	291,166
Canada	264	–	48,162	48,426	143	–	44,619	44,762
Asia, Australia and others	59,894	262	30,717	90,873	58,788	292	33,813	92,893
Finance & investments and others	86,419	23	2,411	88,853	119,259	10	2,859	122,128
	498,287	16,992	205,265	720,544	547,512	14,097	159,692	721,301

(m) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and jointly controlled entities except for HPH Trust / HPH Trust operations which are included based on the Group's effective share of EBITDA for these operations. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results as determined in accordance with generally accepted accounting principles in Hong Kong.

5 Operating segment information (continued)

(n) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities except for HPH Trust / HPH Trust operations which are included based on the Group's effective share of EBIT for these operations. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(o) Included in EBITDA and EBIT of Ports and related services in 2010 are valuation gains totalling HK$550 million in relation to an available-for-sale investment. These gains were previously recorded directly into reserves but were subsequently recognised in 2010's income statement as a result of the investment becoming an associated company in 2010.

(p) Included in EBITDA and EBIT of Hutchison Asia Telecommunications in 2011 are contributions from certain suppliers amounting to HK$1,270 million (2010 – HK$669 million).

(q) Included in EBIT (LBIT) of **3** Group in 2011 is a one-time net gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million. Included in comparable EBIT (LBIT) of **3** Group in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time gain of HK$1,489 million with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy.

(r) Included in capital expenditures of **3** Group in 2011 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2011 which has an effect of increasing total expenditures by HK$68 million (2010 – decreasing total expenditures by HK$604 million).

(s) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada and Asia, Australia and others amounted to HK$94,873 million (2010 – HK$102,339 million), HK$64,104 million (2010 – HK$57,015 million), HK$248,449 million (2010 – HK$230,393 million), HK$48,204 million (2010 – HK$44,619 million) and HK$72,207 million (2010 – HK$72,508 million) respectively.

(t) Included in total assets of **3** Group is an unrealised foreign currency exchange gain arising in 2011 of HK$626 million (2010 – loss of HK$8,086 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(u) Segment liabilities comprise trade and other payables and pension obligations.

(v) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

6 Profits on disposal of investments and others

	Attributable to			
	Ordinary shareholders of the Company HK$ millions	Holders of perpetual capital securities HK$ millions	Non-controlling interests HK$ millions	Total HK$ millions
Year ended 31 December 2011				
Dilution gain arising from spin-off and separate listing of HPH Trust[(a)]	44,290	–	11,354	55,644
Provision for impairment on certain port assets[(b)]	(7,110)	–	(1,075)	(8,185)
Provision for impairment on fixed assets[(c)]	(2,997)	–	–	(2,997)
Write-off of fixed assets[(d)]	(1,315)	–	–	(1,315)
	32,868	–	10,279	43,147
Year ended 31 December 2010	–	–	–	–

(a) The Group completed an initial public offering of units in HPH Trust and the units were listed on the Main Board of the Singapore Stock Exchange on 18 March 2011. Immediately following the completion of the spin-off and separate listing of HPH Trust, the Group retains a 27.6% interest in HPH Trust. Included in the HK$55,644 million dilution gain arising from spin-off and separate listing of HPH Trust is the gain of HK$17,625 million on remeasurement of the 27.6% retained interest from its carrying value to fair value.

(b) During the current year, following the IPO of the HPH Trust, a strategic review of its ports portfolio, and assessment of the market opportunities, the Group recognised impairment charges on certain port assets. One-time impairment charges are recognised on these port assets in view of the performance, uncertain business climate and the continuing challenging trading environment faced by these operations. In aggregate the impairment charges amounted to HK$8,185 million. The main classes of assets affected by these impairment charges are fixed assets and interests in joint ventures and associated companies.

(c) During the current year, the Group recognised a one-time impairment charge of HK$2,997 million in relation to fixed assets of Hutchison Asia Telecommunications in Vietnam in view of an ongoing reassessment of the business opportunity in that country. The recoverable amount of these fixed assets is determined based on the higher of fair value less cost to sell and value in use calculations, which are estimated by reference to market transactions and projected cash flows. The charge reflects the effects of market pressure and increasing competition on projected cash flows.

(d) The Group recognised a one-time write-off of HK$1,315 million as a result of a review process by **3** UK on its fixed assets base, following near finalisation of network integration processes.

7 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2011 and 2010 are as below (also see Report of the Directors):

	2011					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing[(a) (f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.59	42.32	–	–	47.03
Paid by Cheung Kong Infrastructure	0.08	–	18.90	–	–	18.98
Paid to the Company	(0.08)	–	–	–	–	(0.08)
	0.12	4.59	61.22	–	–	65.93
FOK Kin Ning, Canning[(b)]	0.12	10.69	157.34	2.22	–	170.37
CHOW WOO Mo Fong, Susan[(b)]	0.12	7.87	35.20	1.59	–	44.78
Frank John SIXT[(b)]	0.12	7.87	34.04	0.69	–	42.72
LAI Kai Ming, Dominic[(b)]	0.12	5.31	33.00	1.01	–	39.44
KAM Hing Lam[(b)]						
Paid by the Company	0.12	2.30	7.68	–	–	10.10
Paid by Cheung Kong Infrastructure	0.08	4.20	7.43	–	–	11.71
Paid to the Company	(0.08)	(4.20)	–	–	–	(4.28)
	0.12	2.30	15.11	–	–	17.53
George Colin MAGNUS[(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.08	–	–	–	–	0.08
	0.20	–	–	–	–	0.20
William SHURNIAK[(c) (e)]	0.25	–	–	–	–	0.25
Michael David KADOORIE[(c)]	0.12	–	–	–	–	0.12
Holger KLUGE[(c) (e) (f)]	0.31	–	–	–	–	0.31
Margaret LEUNG KO May Yee[(c)]	0.12	–	–	–	–	0.12
WONG Chung Hin[(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.08	38.63	335.91	5.51	–	382.13

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2010 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

(b) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as executive directors or non-executive directors that have been paid to the Company are not included in the amounts above.

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company (including Mr William Shurniak who has been re-designated as independent non-executive director since 29 June 2011) are HK$1,110,000 (2010 – HK$860,000).

(d) Non-executive directors.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

7 Directors' emoluments (continued)

	2010					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing[(a) (f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	38.48	–	–	43.04
Paid by Cheung Kong Infrastructure	0.07	–	13.33	–	–	13.40
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	51.81	–	–	56.37
FOK Kin Ning, Canning[(b)]	0.12	10.29	141.10	2.13	–	153.64
CHOW WOO Mo Fong, Susan[(b)]	0.12	7.69	32.00	1.55	–	41.36
Frank John SIXT[(b)]	0.12	7.62	30.94	0.68	–	39.36
LAI Kai Ming, Dominic[(b)]	0.12	5.14	30.00	0.98	–	36.24
KAM Hing Lam[(b)]						
Paid by the Company	0.12	2.25	6.98	–	–	9.35
Paid by Cheung Kong Infrastructure	0.07	4.20	5.82	–	–	10.09
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	12.80	–	–	15.17
George Colin MAGNUS[(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.19	–	–	–	–	0.19
William SHURNIAK[(d) (e)]	0.25	–	–	–	–	0.25
Michael David KADOORIE[(c)]	0.12	–	–	–	–	0.12
Holger KLUGE[(c) (e) (f)]	0.31	–	–	–	–	0.31
Margaret LEUNG KO May Yee[(c)]	0.12	–	–	–	–	0.12
WONG Chung Hin[(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.07	37.43	298.65	5.34	–	343.49

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2010 – nil).

In 2011, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$6.43 million; provident fund contribution – HK$0.50 million; and bonus – HK$37 million. In 2010, the five individuals whose emoluments were the highest for the year were five directors of the Company.

8 Interest expenses and other finance costs

	2011 HK$ millions	2010 HK$ millions
Bank loans and overdrafts	**1,845**	1,474
Other loans repayable within 5 years	**66**	59
Other loans not wholly repayable within 5 years	**20**	18
Notes and bonds repayable within 5 years	**3,481**	2,968
Notes and bonds not wholly repayable within 5 years	**2,120**	3,028
	7,532	7,547
Interest bearing loans from non-controlling shareholders repayable within 5 years	**254**	245
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	**9**	57
	7,795	7,849
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**281**	243
Notional non-cash interest accretion[(a)]	**396**	470
Other finance costs	**74**	72
	8,546	8,634
Less: interest capitalised[(b)]	**(131)**	(158)
	8,415	8,476

(a) Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the statement of financial position such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.2% to 4.3% per annum (2010 – 0.3% to 6.0% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2011 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2010 Total HK$ millions
Hong Kong	**332**	**654**	**986**	581	837	1,418
Outside Hong Kong	**2,905**	**(2,804)**	**101**	1,912	(131)	1,781
	3,237	**(2,150)**	**1,087**	2,493	706	3,199

Hong Kong profits tax has been provided for at the rate of 16.5% (2010 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2011 HK$ millions	2010 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**2,715**	2,353
Tax effect of:		
Tax losses not recognised	**3,162**	2,073
Tax incentives	**(176)**	(540)
Income not subject to tax	**(802)**	(979)
Expenses not deductible for tax purposes	**979**	816
Recognition of previously unrecognised tax losses	**(3,841)**	(105)
Utilisation of previously unrecognised tax losses	**(492)**	(347)
Under provision in prior years	**52**	2
Deferred tax assets written off	**–**	(1)
Other temporary differences	**(475)**	(79)
Effect of change in tax rate	**(35)**	6
Total tax for the year	**1,087**	3,199

10 Distributions and dividends

	2011 HK$ millions	2010 HK$ millions
Distributions paid on perpetual capital securities	**936**	–
Dividends paid and payable on ordinary shares		
Interim, paid of HK$0.55 per share (2010 – HK$0.51)	**2,345**	2,174
Final, proposed of HK$1.53 per share (2010 – HK$1.41)	**6,523**	6,011
	8,868	8,185

11 Earnings per share for profit attributable to ordinary shareholders of the Company

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK$56,019 million (2010 – HK$20,179 million) and on 4,263,370,780 shares in issue during 2011 (2010 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2011. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2011 did not have a dilutive effect on earnings per share.

12 Other comprehensive income (losses)

	2011		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	**298**	**(64)**	**234**
Valuation gains previously in reserves recognised in income statement for the year	**(280)**	**–**	**(280)**
Net actuarial losses of defined benefit plans recognised directly in reserves	**(1,607)**	**170**	**(1,437)**
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Losses recognised directly in reserves	**(240)**	**–**	**(240)**
Losses previously in reserves recognised in initial cost of non-financial items for the year	**7**	**–**	**7**
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	**1,620**	**–**	**1,620**
Losses previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	**937**	**–**	**937**
Revaluation gains recognised directly in reserves upon transfer from other properties to investment properties	**8**	**–**	**8**
Share of other comprehensive income (losses) of associated companies for the year	**(3,530)**	**–**	**(3,530)**
Share of other comprehensive income of jointly controlled entities for the year	**1,626**	**–**	**1,626**
	(1,161)	**106**	**(1,055)**

	2010		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	1,001	(11)	990
Valuation gains previously in reserves recognised in income statement for the year	(839)	–	(839)
Net actuarial gains of defined benefit plans recognised directly in reserves	463	(129)	334
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised directly in reserves	52	–	52
Gains previously in reserves recognised in initial cost of non-financial items for the year	(25)	–	(25)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(6,152)	–	(6,152)
Gains previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	(17)	–	(17)
Share of other comprehensive income of associated companies for the year	2,520	–	2,520
Share of other comprehensive income of jointly controlled entities for the year	1,840	–	1,840
	(1,157)	(140)	(1,297)

13 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2010	50,993	125,908	112,890	289,791
Additions	3,396	3,321	14,872	21,589
Disposals	(81)	(8,794)	(6,872)	(15,747)
Relating to subsidiaries disposed / de-recognised of	(1)	–	(151)	(152)
Write-off for the year[(a)]	–	(4,959)	(565)	(5,524)
Transfer from other assets	44	–	45	89
Transfer between categories / investment properties / leasehold land	(193)	8,932	(8,380)	359
Exchange translation differences	(264)	(4,342)	(3,705)	(8,311)
At 1 January 2011	**53,894**	**120,066**	**108,134**	**282,094**
Additions	**3,273**	**6,887**	**14,616**	**24,776**
Relating to subsidiaries acquired	**–**	**–**	**2**	**2**
Disposals	**(174)**	**(1,063)**	**(1,770)**	**(3,007)**
Relating to subsidiaries disposed / de-recognised of	**(13,957)**	**(4,446)**	**(14,736)**	**(33,139)**
Revaluation upon transfer to investment properties	**6**	**–**	**–**	**6**
Transfer from other assets	**8**	**147**	**72**	**227**
Transfer between categories / investment properties / leasehold land	**428**	**6,182**	**(5,300)**	**1,310**
Exchange translation differences	**(92)**	**(292)**	**22**	**(362)**
At 31 December 2011	**43,386**	**127,481**	**101,040**	**271,907**
Accumulated depreciation and impairment				
At 1 January 2010	11,577	36,591	65,431	113,599
Charge for the year	1,209	6,138	5,746	13,093
Disposals	(51)	(1,706)	(4,583)	(6,340)
Relating to subsidiaries disposed / de-recognised of	–	–	(150)	(150)
Write-off for the year[(a)]	–	(2,733)	(424)	(3,157)
Transfer from (to) other assets	5	–	(35)	(30)
Transfer between categories / investment properties / leasehold land	22	122	166	310
Exchange translation differences	(126)	(446)	(2,510)	(3,082)
At 1 January 2011	**12,636**	**37,966**	**63,641**	**114,243**
Charge for the year	**1,076**	**6,166**	**5,446**	**12,688**
Relating to subsidiaries acquired	**–**	**–**	**2**	**2**
Disposals	**(60)**	**(598)**	**(1,589)**	**(2,247)**
Relating to subsidiaries disposed / de-recognised of	**(3,054)**	**(4,417)**	**(7,168)**	**(14,639)**
Provision for impairment and write-off[(b)]	**44**	**4,260**	**1,249**	**5,553**
Transfer from other assets	**5**	**52**	**16**	**73**
Transfer between categories / investment properties / leasehold land	**3**	**2,914**	**(1,657)**	**1,260**
Exchange translation differences	**3**	**(322)**	**(209)**	**(528)**
At 31 December 2011	**10,653**	**46,021**	**59,731**	**116,405**
Net book value				
At 31 December 2011	**32,733**	**81,460**	**41,309**	**155,502**
At 31 December 2010	41,258	82,100	44,493	167,851
At 1 January 2010	39,416	89,317	47,459	176,192

13 Fixed assets (continued)

(a) Mainly due to the decommissioning and upgrade programme undertaken pursuant to **3** UK network sharing agreement (see note 5(q)).

(b) Mainly relate to certain port operations (see note 6(b)), Hutchison Asia Telecommunications' Vietnam operation (see note 6(c)) and **3** UK's operation (see note 6(d)).

Land and buildings include projects under development in the amount of HK$3,990 million (2010 – HK$5,228 million).

Cost and net book value of fixed assets include HK$130,032 million (2010 – HK$120,868 million) and HK$78,162 million (2010 – HK$77,227 million) respectively, relating to **3** Group. Impairment tests were undertaken at 31 December 2011 and 31 December 2010 to assess whether the carrying value of the Group's **3**G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated that no other impairment charge was necessary.

14 Investment properties

	2011 HK$ millions	2010 HK$ millions
Valuation		
At 1 January	**43,240**	42,323
Additions	**263**	94
Disposals	**(324)**	(65)
Relating to subsidiaries disposed / de-recognised of	**(590)**	(4)
Change in fair value of investment properties	**–**	855
Transfer from fixed assets and leasehold land	**16**	2
Exchange translation differences	**5**	35
At 31 December	**42,610**	43,240

Investment properties have been fair valued as at 31 December 2011 and 31 December 2010 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2011 HK$ millions	2010 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**16,834**	17,037
Medium leasehold (less than 50 years but not less than 10 years)	**24,624**	25,032
Outside Hong Kong		
Freehold	**109**	210
Medium leasehold	**1,043**	961
	42,610	43,240

14 Investment properties (continued)

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2011 HK$ millions	2010 HK$ millions
Within 1 year	**2,222**	2,697
After 1 year, but within 5 years	**3,987**	2,559
After 5 years	**357**	94

15 Leasehold land

	2011 HK$ millions	2010 HK$ millions
Net book value		
At 1 January	**27,561**	29,191
Additions	**110**	54
Disposals	**(4)**	–
Relating to subsidiaries disposed / de-recognised of	**(16,603)**	–
Revaluation upon transfer to investment properties	**2**	–
Amortisation for the year	**(522)**	(912)
Impairment recognised for the year[a]	**(529)**	–
Transfer to fixed assets and investment properties	**(66)**	(51)
Exchange translation differences	**55**	(721)
At 31 December	**10,004**	27,561

The Group's leasehold land comprises:

	2011 HK$ millions	2010 HK$ millions
Hong Kong		
Medium leasehold	**–**	9,119
Outside Hong Kong		
Long leasehold	**1,013**	1,007
Medium leasehold	**8,991**	17,435
	10,004	27,561

(a) Impairment recognised mainly represents provision for certain port operations (see note 6(b)).

16 Telecommunications licences

	2011 HK$ millions	2010 HK$ millions
Net book value		
At 1 January	**68,333**	70,750
Additions	**5,693**	146
Non-cash addition (see note 5(q))	**1,843**	1,489
Amortisation for the year	**(458)**	(390)
Write-off for the year	**(84)**	–
Exchange translation differences	**176**	(3,662)
At 31 December	**75,503**	68,333
Cost	**101,719**	94,743
Accumulated amortisation and impairment	**(26,216)**	(26,410)
	75,503	68,333

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €3,002 million (2010 – €2,650 million) and £3,127 million (2010 – £3,127 million), respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2011 and 31 December 2010. Note 3(a) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated no impairment charge was necessary.

17 Goodwill

	2011 HK$ millions	2010 HK$ millions
Cost		
At 1 January	**27,332**	28,858
Relating to subsidiaries acquired	**13**	–
Impairment recognised and write-off for the year[a]	**(509)**	–
Relating to subsidiaries disposed / de-recognised of	**(463)**	–
Exchange translation differences	**(35)**	(1,526)
At 31 December	**26,338**	27,332

(a) Mainly represents provision for certain port operations (see note 6(b)) and write-off for the year.

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2010 – €645 million), Kruidvat of €600 million (2010 – €600 million), The Perfume Shop of £140 million (2010 – £140 million), Superdrug of £78 million (2010 – £78 million), **3** Italy of €275 million (2010 – €275 million), Hutchison Telecommunications Hong Kong Holdings of HK$3,754 million (2010 – HK$3,754 million) and Hutchison Asia Telecommunications of HK$1,184 million (2010 – HK$1,582 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2011 and 31 December 2010. Note 3(a) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated no other impairment charge was necessary.

18 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2011	**1,950**	**10,915**	**12,865**
Additions	**–**	**82**	**82**
Amortisation for the year	**(12)**	**(400)**	**(412)**
Relating to subsidiaries disposed / de-recognised of	**–**	**(16)**	**(16)**
Exchange translation differences	**7**	**89**	**96**
At 31 December 2011	**1,945**	**10,670**	**12,615**
Cost	**1,990**	**17,066**	**19,056**
Accumulated amortisation	**(45)**	**(6,396)**	**(6,441)**
	1,945	**10,670**	**12,615**

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2010	2,093	5,258	7,351
Additions	–	461	461
Non-cash addition (see note 5(q))	–	6,010	6,010
Transfer from (to) other assets	1	(33)	(32)
Amortisation for the year	(12)	(525)	(537)
Write-off for the year	–	(2)	(2)
Exchange translation differences	(132)	(254)	(386)
At 31 December 2010	1,950	10,915	12,865
Cost	1,981	17,059	19,040
Accumulated amortisation	(31)	(6,144)	(6,175)
	1,950	10,915	12,865

The brand names as at 31 December 2011 primarily resulted from the acquisitions of Marionnaud and The Perfume Shop in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2011 and 31 December 2010 and the results of the tests indicated no impairment charge was necessary.

Other rights, which include a right of use of telecommunications network infrastructure sites, operating and service content rights, are amortised over their finite useful lives.

19 Associated companies

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Unlisted shares	**24,504**	18,947	8,665
Listed shares, Hong Kong	**9,512**	9,512	9,512
Listed shares, outside Hong Kong	**31,082**	13,021	10,341
Share of undistributed post acquisition reserves	**53,295**	49,710	46,071
	118,393	91,190	74,589
Amounts due from associated companies	**19,310**	14,399	9,188
	137,703	105,589	83,777

The market value of the above listed investments at 31 December 2011 was HK$119,906 million (2010 – HK$103,714 million).

Particulars regarding the principal associated companies are set forth on pages 233 to 238.

The aggregate amounts of revenues, results, assets and liabilities of the Group's associated companies are as follows:

	2011 HK$ millions	2010 HK$ millions
Revenue	**339,090**	243,878
Profit after tax	**33,325**	15,502
Non-current assets	**812,617**	575,273
Current assets	**105,095**	73,732
Total assets	**917,712**	649,005
Non-current liabilities	**432,473**	268,509
Current liabilities	**113,065**	118,208
Total liabilities	**545,538**	386,717

19 Associated companies (continued)

The Group's share of the revenues, expenses and results of associated companies are as follows:

	2011 HK$ millions	2010 HK$ millions
Revenue	**95,252**	61,709
Expense	**(60,866)**	(42,287)
EBITDA[(a)]	**34,386**	19,422
Depreciation and amortisation	**(11,947)**	(8,507)
Change in fair value of investment properties	**150**	10
EBIT[(b)]	**22,589**	10,925
Interest expenses and other finance costs	**(5,027)**	(2,562)
Current tax	**(1,770)**	(1,296)
Deferred tax	**(1,692)**	(600)
Non-controlling interests	**(281)**	2
Profit after tax	**13,819**	6,469

(a) EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties.

(b) EBIT is defined as earnings before interest expenses and other finance costs and tax.

20 Interests in joint ventures

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Jointly controlled entities			
Unlisted shares	**45,648**	43,456	41,935
Share of undistributed post acquisition reserves	**10,014**	4,886	(1,857)
	55,662	48,342	40,078
Amounts due from jointly controlled entities	**11,900**	5,761	11,556
	67,562	54,103	51,634

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 36.

Particulars regarding the principal jointly controlled entities are set forth on pages 233 to 238.

The aggregate amounts of revenues, results, assets and liabilities related to the Group's interests in its jointly controlled entities are as follows:

	2011 HK$ millions	2010 HK$ millions
Revenue	**124,242**	117,704
Profit after tax	**15,625**	27,989
Non-current assets	**142,044**	111,363
Current assets	**121,535**	112,753
Total assets	**263,579**	224,116
Non-current liabilities	**77,623**	70,454
Current liabilities	**69,903**	62,787
Total liabilities	**147,526**	133,241

20 Interests in joint ventures (continued)

The Group's share of the revenues, expenses, results and capital commitments of jointly controlled entities are as follows:

	2011 HK$ millions	2010 HK$ millions
Revenue	**60,554**	54,460
Expense	**(47,545)**	(40,759)
EBITDA[(a)]	**13,009**	13,701
Depreciation and amortisation	**(3,709)**	(3,313)
Change in fair value of investment properties	**630**	3,333
EBIT[(b)]	**9,930**	13,721
Interest expenses and other finance costs	**(1,362)**	(1,268)
Current tax	**(2,277)**	(1,719)
Deferred tax	**(414)**	(1,347)
Profit after tax	**5,877**	9,387
Capital commitments	**178**	248

(a) EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties.

(b) EBIT is defined as earnings before interest expenses and other finance costs and tax.

21 Deferred tax

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Deferred tax assets	**16,992**	14,097	14,650
Deferred tax liabilities	**8,893**	9,857	9,063
Net deferred tax assets	**8,099**	4,240	5,587

Movements in net deferred tax assets are summarised as follows:

	2011 HK$ millions	2010 HK$ millions
At 1 January	**4,240**	5,587
Relating to subsidiaries disposed / de-recognised of	**1,691**	5
Transfer to current tax	**(204)**	(236)
Net credit (charge) to other comprehensive income	**106**	(140)
Net credit (charge) to the income statement		
Unused tax losses	**2,676**	(159)
Accelerated depreciation allowances	**(301)**	(327)
Fair value adjustments arising from acquisitions	**136**	162
Revaluation of investment properties and other investments	**–**	(3)
Withholding tax on undistributed earnings	**(21)**	47
Other temporary differences	**(340)**	(426)
Exchange translation differences	**116**	(270)
At 31 December	**8,099**	4,240

Analysis of net deferred tax assets (liabilities):

	2011 HK$ millions	2010 HK$ millions
Unused tax losses	**18,293**	15,263
Accelerated depreciation allowances	**(4,631)**	(4,516)
Fair value adjustments arising from acquisitions	**(3,674)**	(4,708)
Revaluation of investment properties and other investments	**(169)**	(182)
Withholding tax on undistributed earnings	**(223)**	(305)
Other temporary differences	**(1,497)**	(1,312)
	8,099	4,240

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

21 Deferred tax (continued)

During the year, deferred tax assets of HK$3,615 million (2010 – nil) have been recognised for the losses of **3** Group. At 31 December 2011, the Group has recognised accumulated deferred tax assets amounting to HK$16,992 million (2010 – HK$14,097 million) of which HK$15,861 million (2010 – HK$12,748 million) relates to **3** Group.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The potential net deferred tax asset mainly arising from accumulated unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK$28,031 million at 31 December 2011 (2010 – HK$33,551 million). Unrecognised tax losses of HK$104,437 million (2010 – HK$85,999 million) can be carried forward indefinitely. The remaining HK$16,624 million (2010 – HK$44,873 million) expires in the following years:

	2011 HK$ millions	2010 HK$ millions
In the first year	**288**	9,221
In the second year	**2,083**	13,562
In the third year	**2,111**	13,598
In the fourth year	**3,205**	2,734
In the fifth to tenth years inclusive	**8,937**	5,758
	16,624	44,873

22 Other non-current assets

	2011 HK$ millions	2010 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**571**	990
Other receivables	**3,857**	3,876
	4,428	4,866
Available-for-sale investments		
Unlisted equity securities	**1,197**	1,175
Fair value hedges (see note 28(a))		
Interest rate swaps	**2,518**	1,776
Cross currency interest rate swaps	**1,883**	1,105
Cash flow hedges (see note 28(a))		
Interest rate swaps	**–**	15
Forward foreign exchange contracts	**158**	194
	10,184	9,131

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2011 is 2.3% (2010 – 2.0%).

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

23 Liquid funds and other listed investments

	2011 HK$ millions	2010 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**10,485**	14,505
Listed / traded debt securities, outside Hong Kong	**3,120**	3,036
Listed equity securities, Hong Kong	**988**	913
Listed equity securities, outside Hong Kong	**5,188**	5,262
	19,781	23,716
Loans and receivables		
Long term deposits	**36**	36
Financial assets at fair value through profit or loss	**422**	833
	20,239	24,585

Components of managed funds, outside Hong Kong are as follows:

	2011 HK$ millions	2010 HK$ millions
Listed debt securities	**10,432**	14,281
Cash and cash equivalents	**53**	224
	10,485	14,505

Included in listed / traded debt securities outside Hong Kong is a principal amount of US$103 million notes issued by listed associated company, Husky Energy Inc. Of which, US$78 million and US$25 million of these notes will mature in 2014 and 2019, respectively.

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2011 was HK$20,203 million (2010 – HK$24,549 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2011 was 3.6% (2010 – 4.1%).

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2011			2010		
	Available-for-sale investments Percentage	**Loans and receivables Percentage**	**Financial assets at fair value through profit or loss Percentage**	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	**5%**	**–**	**–**	4%	–	–
US dollars	**70%**	**–**	**59%**	76%	–	79%
Others	**25%**	**100%**	**41%**	20%	100%	21%
	100%	**100%**	**100%**	100%	100%	100%

23 Liquid funds and other listed investments (continued)

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2011 Percentage	2010 Percentage
Credit ratings		
Aaa / AAA	26%	77%
Aa1 / AA+	48%	5%
Aa2 / AA	3%	–
Other investment grades	7%	5%
Unrated	16%	13%
	100%	100%
Sectorial		
US Treasury notes	48%	12%
Government guaranteed notes	15%	47%
Supranational notes	14%	17%
Husky Energy Inc issued notes	7%	5%
Government related entities issued notes	–	7%
Others	16%	12%
	100%	100%
Weighted average maturity	2.1 years	1.1 years
Weighted average effective yield	1.71%	1.42%

24 Cash and cash equivalents

	2011 HK$ millions	2010 HK$ millions
Cash at bank and in hand	22,545	29,690
Short term bank deposits	43,994	61,962
	66,539	91,652

The carrying amount of cash and cash equivalents approximates their fair value.

25 Trade and other receivables

	2011 HK$ millions	2010 HK$ millions
Trade receivables[(a)]	**29,792**	30,484
Less: provision for estimated impairment losses for bad debts[(b)]	**(6,048)**	(5,563)
Trade receivables – net	**23,744**	24,921
Other receivables and prepayments	**36,334**	32,112
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**267**	196
	60,345	57,229

Trade and other receivables are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. 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. The carrying amount of these assets approximates their fair value. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 6% of the Group's turnover for the years ended 31 December 2011 and 2010.

(a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2011 HK$ millions	2010 HK$ millions
Less than 31 days	**11,251**	12,629
Within 31 to 60 days	**1,487**	2,191
Within 61 to 90 days	**872**	841
Over 90 days	**16,182**	14,823
	29,792	30,484

25 Trade and other receivables (continued)

(b) As at 31 December 2011, out of the trade receivables of HK$29,792 million (2010 – HK$30,484 million), HK$14,409 million (2010 – HK$15,593 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$6,048 million (2010 – HK$5,563 million). The ageing analysis of these trade receivables is as follows:

	2011 HK$ millions	2010 HK$ millions
Not past due	**4,685**	5,353
Past due less than 31 days	**1,316**	2,000
Past due within 31 to 60 days	**326**	468
Past due within 61 to 90 days	**717**	696
Past due over 90 days	**7,365**	7,076
	14,409	15,593

Movements on the provision for estimated impairment losses for bad debts are as follows:

	2011 HK$ millions	2010 HK$ millions
At 1 January	**5,563**	5,852
Additions	**2,323**	842
Utilisations	**(415)**	(729)
Write back	**(1,073)**	(131)
Relating to subsidiaries disposed / de-recognised of	**(129)**	(12)
Exchange translation differences	**(221)**	(259)
At 31 December	**6,048**	5,563

The ageing analysis of trade receivables not impaired is as follows:

	2011 HK$ millions	2010 HK$ millions
Not past due	**4,270**	4,685
Past due less than 31 days	**1,992**	2,304
Past due within 31 to 60 days	**554**	554
Past due within 61 to 90 days	**474**	354
Past due over 90 days	**8,093**	6,994
	15,383	14,891

26 Trade and other payables

	2011 **HK$ millions**	2010 HK$ millions
Trade payables[a]	**24,694**	22,460
Other payables and accruals	**51,663**	54,429
Provisions (see note 27)	**1,256**	1,613
Interest free loans from non-controlling shareholders	**468**	2,327
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**12**	60
	78,093	80,889

The Group's five largest suppliers accounted for less than 24% of the Group's cost of purchases for the years ended 31 December 2011 and 2010.

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2011 **HK$ millions**	2010 HK$ millions
Less than 31 days	**14,124**	13,842
Within 31 to 60 days	**2,429**	2,145
Within 61 to 90 days	**1,248**	863
Over 90 days	**6,893**	5,610
	24,694	22,460

27 Provisions

	Restructuring and closure provision **HK$ millions**	**Assets retirement** **HK$ millions**	**Others** **HK$ millions**	**Total** **HK$ millions**
At 1 January 2010	1,527	963	796	3,286
Additions	226	112	255	593
Interest accretion	31	42	–	73
Utilisations	(675)	(5)	(136)	(816)
Write back	(23)	(168)	(28)	(219)
Transfer to other assets / liabilities	(26)	–	–	(26)
Exchange translation differences	(64)	(44)	(320)	(428)
At 1 January 2011	**996**	**900**	**567**	**2,463**
Additions	**101**	**14**	**122**	**237**
Interest accretion	**39**	**6**	**–**	**45**
Utilisations	**(269)**	**–**	**(21)**	**(290)**
Write back	**(130)**	**(219)**	**(197)**	**(546)**
Relating to subsidiaries disposed / de-recognised of	**–**	**(2)**	**–**	**(2)**
Exchange translation differences	**10**	**16**	**9**	**35**
At 31 December 2011	**747**	**715**	**480**	**1,942**

27 Provisions (continued)

Provisions are analysed as:

	2011 HK$ millions	2010 HK$ millions
Current portion (see note 26)	**1,256**	1,613
Non-current portion (see note 31)	**686**	850
	1,942	2,463

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures.

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

28 Bank and other debts

The carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2011			2010		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans	**28,812**	**44,768**	**73,580**	14,357	83,432	97,789
Other loans	**55**	**409**	**464**	188	441	629
Notes and bonds	**–**	**139,810**	**139,810**	8,580	140,364	148,944
Total principal amount of bank and other debts	**28,867**	**184,987**	**213,854**	23,125	224,237	247,362
Unamortised loan facilities fees and premiums or discounts related to debts	**(32)**	**331**	**299**	(3)	1,016	1,013
Unrealised gain on bank and other debts pursuant to interest rate swap contracts[a]	**–**	**4,401**	**4,401**	–	2,881	2,881
	28,835	**189,719**	**218,554**	23,122	228,134	251,256

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2011			2010		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Repayable within 5 years	28,812	44,753	73,565	14,355	83,413	97,768
Not wholly repayable within 5 years	–	15	15	2	19	21
	28,812	44,768	73,580	14,357	83,432	97,789
Other loans						
Repayable within 5 years	35	58	93	169	84	253
Not wholly repayable within 5 years	20	351	371	19	357	376
	55	409	464	188	441	629
Notes and bonds						
US$1,100 million notes, 7% due 2011	–	–	–	8,580	–	8,580
US$3,146 million notes, 6.5% due 2013	–	24,542	24,542	–	24,542	24,542
US$1,309 million notes, 6.25% due 2014	–	10,206	10,206	–	10,206	10,206
US$2,189 million notes, 4.625% due 2015	–	17,077	17,077	–	17,077	17,077
US$500 million notes-Series B, 7.45% due 2017	–	3,900	3,900	–	3,900	3,900
US$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	7,800	7,800
US$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	11,700	11,700
US$329 million notes-Series C, 7.5% due 2027	–	2,565	2,565	–	2,565	2,565
US$25 million notes-Series D, 6.988% due 2037	–	196	196	–	196	196
US$1,144 million notes, 7.45% due 2033	–	8,926	8,926	–	8,926	8,926
EUR1,000 million notes, 5.875% due 2013	–	10,150	10,150	–	10,360	10,360
EUR603 million notes, 4.125% due 2015	–	6,119	6,119	–	6,245	6,245
EUR669 million notes, 4.625% due 2016	–	6,791	6,791	–	6,932	6,932
EUR1,750 million notes, 4.75% due 2016	–	17,763	17,763	–	18,130	18,130
GBP325 million bonds, 6.75% due 2015	–	3,962	3,962	–	3,907	3,907
GBP113 million bonds, 5.625% due 2017	–	1,378	1,378	–	1,359	1,359
GBP303 million bonds, 5.625% due 2026	–	3,693	3,693	–	3,641	3,641
JPY30,000 million notes, 3.5% due 2032	–	3,042	3,042	–	2,878	2,878
	–	139,810	139,810	8,580	140,364	148,944
	28,867	184,987	213,854	23,125	224,237	247,362

28 Bank and other debts (continued)

Bank and other debts at principal amount are repayable as follows:

	2011			2010		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Current portion	28,812	–	28,812	14,357	–	14,357
After 1 year, but within 2 years	–	14,490	14,490	–	21,853	21,853
After 2 years, but within 5 years	–	30,274	30,274	–	61,561	61,561
After 5 years	–	4	4	–	18	18
	28,812	44,768	73,580	14,357	83,432	97,789
Other loans						
Current portion	55	–	55	188	–	188
After 1 year, but within 2 years	–	51	51	–	56	56
After 2 years, but within 5 years	–	119	119	–	135	135
After 5 years	–	239	239	–	250	250
	55	409	464	188	441	629
Notes and bonds						
Current portion	–	–	–	8,580	–	8,580
After 1 year, but within 2 years	–	34,692	34,692	–	–	–
After 2 years, but within 5 years	–	61,918	61,918	–	72,337	72,337
After 5 years	–	43,200	43,200	–	68,027	68,027
	–	139,810	139,810	8,580	140,364	148,944
	28,867	184,987	213,854	23,125	224,237	247,362

Subsequent to the year end date, in January and February 2012, US$1,000 million (approximately HK$7,800 million) principal amount of the notes due 2017 and US$1,500 million (approximately HK$11,700 million) principal amount of the notes due 2022 were issued to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

The bank and other debts of the Group as at 31 December 2011 are secured to the extent of HK$793 million (2010 – HK$952 million).

Borrowings with principal amount of HK$73,635 million (2010 – HK$97,777 million) bear interest at floating interest rates and borrowings with principal amount of HK$140,219 million (2010 – HK$149,585 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

The carrying amounts and fair values of the borrowings are as follows:

	Carrying amounts		Fair values	
	2011 **HK$ millions**	2010 HK$ millions	**2011** **HK$ millions**	2010 HK$ millions
Bank loans	**73,312**	97,395	**73,312**	97,395
Other loans	**410**	571	**408**	568
Notes and bonds	**144,832**	153,290	**160,318**	161,699
	218,554	251,256	**234,038**	259,662

The fair values of the non-current borrowings are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The carrying amounts of current portion of the borrowings approximate their fair value.

Borrowings at principal amount are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2011 **Percentage**	2010 Percentage
Euro	**33%**	28%
US dollars	**29%**	29%
HK dollars	**22%**	31%
British pounds	**9%**	5%
Other currencies	**7%**	7%
	100%	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. 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 to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2011, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$70,988 million (2010 – HK$71,300 million).

In addition, interest rate swap agreements with notional amount of HK$3,996 million (2010 – HK$4,270 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2011, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2010 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match currency exposures of the underlying businesses.

28 Bank and other debts (continued)

(a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	2011			2010		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	–	2,518	2,518	–	1,776	1,776
Cross currency interest rate swaps (see note 22)	–	1,883	1,883	–	1,105	1,105
	–	4,401	4,401	–	2,881	2,881
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	–	–	–	–	15	15
Forward foreign exchange contracts (see notes 22 and 25)	267	158	425	196	194	390
	267	158	425	196	209	405
Derivative financial liabilities						
Interest rate swaps (see note 31)	–	(201)	(201)	–	(2)	(2)
Forward foreign exchange contracts (see note 26)	(12)	–	(12)	(60)	–	(60)
	(12)	(201)	(213)	(60)	(2)	(62)
	255	(43)	212	136	207	343

29 Interest bearing loans from non-controlling shareholders

	2011 HK$ millions	2010 HK$ millions
Interest bearing loans from non-controlling shareholders	6,502	13,493

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	2011 HK$ millions	2010 HK$ millions
Defined benefit plans		
Pension assets	–	–
Pension obligations	2,992	1,702
	2,992	1,702

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. No other post-retirement benefits are provided.

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2011 and 31 December 2010 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2011	2010
Discount rate applied to defined benefit plan obligations	1.20% - 6.10%	2.20% - 17.00%
Expected return on plan assets	2.62% - 7.77%	3.50% - 14.50%
Future salary increases	1.00% - 4.00%	0.29% - 9.00%
Interest credited on two principal plans in Hong Kong	5.00% - 6.00%	5.00% - 6.00%

The expected return on plan assets is based on market expectations for returns and long-term benchmark allocation of equities and bonds in each plan and allowing for administration fees and other expenses charged to the plans.

The amount recognised in the consolidated statement of financial position is determined as follows:

	2011 HK$ millions	2010 HK$ millions
Present value of defined benefit obligations	13,468	13,635
Fair value of plan assets	11,373	12,375
	2,095	1,260
Unrecognised past services costs	(17)	(32)
Restrictions on asset recognised	914	474
Net defined benefit plan obligations	2,992	1,702

Fair value of plan assets of HK$11,373 million (2010 – HK$12,375 million) includes investments in the Company's shares with a fair value of HK$43 million (2010 – HK$56 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2011 **HK$ millions**	2010 HK$ millions
At 1 January	**13,635**	13,985
Current service cost net of employee contributions	**434**	531
Actual employee contributions	**106**	113
Interest cost	**586**	603
Actuarial losses (gains) on obligations	**586**	(373)
Gains on curtailments and settlements	**(1)**	(105)
Relating to subsidiaries disposed / de-recognised of	**(1,457)**	–
Transfer to other liabilities	**–**	(11)
Actual benefits paid	**(574)**	(608)
Exchange translation differences	**153**	(500)
At 31 December	**13,468**	13,635

Changes in the fair value of the plan assets are as follows:

	2011 **HK$ millions**	2010 HK$ millions
At 1 January	**12,375**	11,574
Expected return on plan assets	**719**	718
Actuarial gains (losses) on plan assets	**(582)**	536
Actual company contributions	**639**	623
Actual employee contributions	**106**	113
Relating to subsidiaries disposed / de-recognised of	**(1,374)**	–
Actual benefits paid	**(574)**	(608)
Exchange translation differences	**64**	(581)
At 31 December	**11,373**	12,375

30 Pension plans (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated income statement is as follows:

	2011 HK$ millions	2010 HK$ millions
Current service cost	434	531
Past service cost	101	30
Interest cost	586	603
Gains on curtailments and settlements	(1)	(105)
Expected return on plan assets	(719)	(718)
Total expense	401	341
Less: expense capitalised	(2)	(2)
Total, included in staff costs	399	339

The actual return on plan assets was HK$137 million (2010 – HK$1,254 million).

The actuarial losses recognised in other comprehensive income in current year was HK$1,607 million (2010 – gains of HK$463 million). The cumulative actuarial losses recognised in other comprehensive income amounted to HK$2,828 million (2010 – HK$1,421 million).

Fair value of the plan assets are analysed as follows:

	2011 Percentage	2010 Percentage
Equity instruments	46%	51%
Debt instruments	45%	42%
Other assets	9%	7%
	100%	100%

The experience adjustments are as follows:

	2011 HK$ millions	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Present value of defined benefit obligations	13,468	13,635	13,985	11,452	13,151
Fair value of plan assets	11,373	12,375	11,574	8,981	12,175
Deficit	2,095	1,260	2,411	2,471	976
Experience adjustments on defined benefit obligations	(104)	(249)	(82)	502	(13)
Experience adjustments on plan assets	(597)	413	729	(2,253)	648

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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 2011. 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.

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 31 July 2011 reported a funding level of 118% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2011 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$18 million (2010 – HK$18 million) were used to reduce the current year's level of contributions and HK$1 million was available at 31 December 2011 (2010 – HK$1 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 and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2010, the ratio of assets to liabilities for the Felixstowe Scheme was 73%. Contributions to fund the deficit remained unchanged and at the valuation date, the shortfall was expected to be eliminated by 31 March 2020. The main assumptions in the valuation are an investment return of 7.55% (pre-retirement) and 4.8% (post-retirement), pensionable salary increases of 3.80% per annum and pension increases of 3.6% per annum (for service before 6 April 1997), 3.2% per annum (for service between 6 April 1997 and 5 April 2005) and 2.25% per annum (for service after 5 April 2005). The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Towers Watson Limited. A new valuation has been commissioned in January 2010.

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. As at the end of 2011, the combination of the interest rate and a high risk spread result in a relatively low defined benefit obligation for the plan of the retail operations and the value of the plan assets are temporarily higher than the present value of the plan obligation. The Group is required by the applicable accounting standard not to recognise the excess amount as an asset as the excess amount is not refundable to the Group and not available to reduce future contributions to the plan.

The Group operates a defined benefit pension plan for part of its retail operations in the United Kingdom. It was assumed on acquisition of a subsidiary company in 2002. It was not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2009. This allowed for the cessation of accrual of future defined benefits for all active members on 28 February 2010, from which date final salary linkage was also severed. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer made additional cash contributions totalling £2.5 million in 2010 and £4 million in 2011, and will make further addition contributions of £4 million per annum from 1 January 2012 to 30 November 2021 towards the shortfall being corrected by 30 November 2021. The main assumptions in the valuation are an investment return of 4.9% to 6.5% per annum and pensionable salary increases of 3.62% to 4.57% per annum. The valuation was performed by Clare Wilmington, a Fellow of the Institute and Faculty of Actuaries, of Hewitt Associates Limited.

30 Pension plans (continued)

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$865 million (2010 – HK$786 million). No forfeited contributions (2010 – nil) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2011 (2010 – nil) to reduce future years' contributions.

31 Other non-current liabilities

	2011 HK$ millions	2010 HK$ millions
Cash flow hedges (see note 28(a))		
Interest rate swaps	**201**	2
Obligations for telecommunications licences and other rights	**3,409**	3,093
Provisions (see note 27)	**686**	850
	4,296	3,945

32 Share capital and capital management

(a) Share capital

	2011 Number of shares	2010 Number of shares	**2011 HK$ millions**	2010 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

32 Share capital and capital management (continued)

(b) Perpetual capital securities

In October 2010, a wholly owned subsidiary company of the Group issued subordinated guaranteed perpetual capital securities with a nominal amount of US$2,000 million (approximately HK$15,600 million) for cash. These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2011, total equity amounted to HK$398,783 million (2010 – HK$357,259 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$127,076 million (2010 – HK$131,125 million). The Group's net debt to net total capital ratio decreased to 23.8% from 26.0% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios(i) at 31 December

	2011	2010
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**23.8%**	26.0%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**21.7%**	23.3%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**25.1%**	28.7%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**22.8%**	25.7%

(i) Net debt is defined on the Consolidated Statement of Cash Flows. Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments as shown on the Consolidated Statement of Cash Flows.

33 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications CACs and changes in working capital

	2011 HK$ millions	2010 HK$ millions
Profit after tax	**73,862**	25,726
Adjustments for:		
Current tax charge	**3,237**	2,493
Deferred tax charge (credit)	**(2,150)**	706
Interest expenses and other finance costs	**8,415**	8,476
Change in fair value of investment properties	**–**	(855)
Depreciation and amortisation	**14,080**	14,932
Provision for impairment on certain port assets (see note 6(b))	**8,185**	–
Provision for impairment on fixed assets (see note 6(c))	**2,997**	–
Write-off of fixed assets (see note 6(d))	**1,315**	–
Non-cash items (see note 33(e))	**(457)**	(3,757)
Share of associated companies' and jointly controlled entities'		
Depreciation and amortisation	**15,656**	11,820
Change in fair value of investment properties	**(780)**	(3,343)
Interest expenses and other finance costs	**6,389**	3,830
Current tax charge	**4,047**	3,015
Deferred tax charge	**2,106**	1,947
Non-controlling interests	**281**	(2)
EBITDA (see notes 5(b) and 5(m))	**137,183**	64,988
Telecommunications CACs	**22,497**	16,013
Share of jointly controlled entity's telecommunications CACs	**5,157**	4,327
EBITDA before telecommunications CACs	**164,837**	85,328
Share of EBITDA of associated companies and jointly controlled entities	**(52,552)**	(37,450)
Profit on disposal of unlisted investments	**(309)**	(236)
Profit on disposal of fixed assets, leasehold land and investment properties	**(478)**	(549)
Dividends received from associated companies and jointly controlled entities	**6,864**	9,944
Distribution from property jointly controlled entities	**1,395**	2,198
Profit on disposal / de-recognition of subsidiary companies and jointly controlled entities	**(57,330)**	(24)
Valuation gains on transfer of an available-for-sale investment to investment in associated company	**–**	(550)
Other non-cash items	**151**	614
	62,578	59,275

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2011 HK$ millions	2010 HK$ millions
Increase in inventories	(951)	(1,901)
Decrease (increase) in debtors and prepayments	9,701	(10,793)
Increase in creditors	1,371	7,494
Other non-cash items	(173)	2,185
	9,948	(3,015)

(c) Purchase of subsidiary companies

	2011 Book / Fair value HK$ millions	2010 Fair value HK$ millions
Aggregate net assets acquired at acquisition date:		
Cash and cash equivalents	16	–
Creditors and current tax liabilities	(1)	–
Non-controlling interests	(7)	–
	8	–
Goodwill arising on acquisition	13	–
	21	–
Less: Cost of investments just prior to purchase	(6)	–
Discharged by cash payment	15	–
Net cash outflow (inflow) arising from acquisition:		
Cash payment	15	–
Cash and cash equivalents acquired	(16)	–
Total net cash acquired	(1)	–

The contribution to the Group's revenue and profit after tax from these subsidiaries acquired since the respective date of acquisition is not material.

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal / de-recognition of subsidiary companies

	2011 HK$ millions	2010 HK$ millions
Aggregate net assets disposed / de-recognised at date of disposal / de-recognition (excluding cash and cash equivalents):		
Fixed assets	18,500	2
Investment properties	590	4
Leasehold land	16,603	–
Goodwill	463	–
Brand name and other rights	16	–
Associated companies	128	–
Interests in joint ventures	291	–
Liquid funds and other listed investments	37	–
Trade and other receivables	3,498	12
Inventories	151	–
Creditors and current tax liabilities	(21,717)	(82)
Bank and other debts	(9,318)	–
Loans from non-controlling shareholders	(6,613)	–
Deferred tax liabilities	(1,691)	(5)
Pension obligations	(83)	–
Other non-current liabilities	(693)	–
Non-controlling interests	(4,962)	(12)
Reserves	1,038	(12)
	(3,762)	(93)
Profit on disposal / de-recognition*	57,167	24
	53,405	(69)
Less: Investments retained subsequent to disposal / de-recognition	(17,796)	–
	35,609	(69)
Satisfied by:		
Cash and cash equivalents received as consideration	41,698	3
Less: Cash and cash equivalents sold	(6,089)	(72)
Total net cash consideration	35,609	(69)

* The profit on disposal / de-recognition is recognised in the consolidated income statement and is mainly presented in the line item titled profits on disposal of investments and others.

(e) Included in the non-cash items in 2011 are a one-time gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million. Included in the non-cash items in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time HK$1,489 million gain with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy.

34 Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

35 Pledge of assets

At 31 December 2011, assets of the Group totalling HK$524 million (2010 – HK$963 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2011, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to associated companies and jointly controlled entities of HK$10,932 million (2010 – HK$5,805 million).

The amount utilised by its associated companies and jointly controlled entities are as follows:

	2011 HK$ millions	2010 HK$ millions
To associated companies		
Other businesses	**1,366**	2,258
To jointly controlled entities		
Property businesses	**1,619**	1,556
Other businesses	**5,602**	1,308
	7,221	2,864

At 31 December 2011, the Group had provided performance and other guarantees of HK$4,838 million (2010 – HK$3,159 million).

37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2011 are as follows:

Capital commitments

(a) Contracted for:

(i) Ports and related services – HK$2,050 million (2010 – HK$7,637 million)

(ii) **3** Group – HK$953 million (2010 – HK$569 million)

(iii) Telecommunications, Hong Kong and Asia – HK$14,738 million (2010 – HK$643 million)

(iv) Investment properties, Hong Kong – HK$13 million (2010 – HK$656 million)

(v) Other fixed assets – HK$995 million (2010 – HK$133 million)

(vi) Other assets – HK$1,121 million (2010 – nil)

(b) Authorised but not contracted for:

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

(i) Ports and related services – HK$6,899 million (2010 – HK$2,493 million)

(ii) **3** Group – HK$10,779 million (2010 – HK$5,693 million)

(iii) Telecommunications, Hong Kong and Asia – HK$3,257 million (2010 – HK$4,302 million)

(iv) Investment properties, Hong Kong – HK$1,178 million (2010 – HK$297 million)

(v) Investment in joint ventures, Hong Kong – HK$282 million (2010 – nil)

(vi) Investment in joint ventures outside Hong Kong – HK$5,662 million (2010 – HK$3,296 million)

(vii) Other fixed assets – HK$4,840 million (2010 – HK$2,850 million)

(viii) Other assets – HK$1,280 million (2010 – nil)

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

(a) In the first year – HK$10,680 million (2010 – HK$9,949 million)

(b) In the second to fifth years inclusive – HK$23,221 million (2010 – HK$23,502 million)

(c) After the fifth year – HK$32,256 million (2010 – HK$36,806 million)

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

(a) In the first year – HK$1,642 million (2010 – HK$1,451 million)

(b) In the second to fifth years inclusive – HK$5,442 million (2010 – HK$5,003 million)

(c) After the fifth year – HK$4,378 million (2010 – HK$4,747 million)

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$7,741 million (2010 – HK$2,325 million) are interest bearing. In addition, during 2009, the Group acquired traded debt securities outside Hong Kong with a principal amount of US$200 million notes issued by listed associated company, Husky Energy Inc and sold certain of these notes with a principal amount of US$97 million. As disclosed in note 23, as at 31 December 2011 and 2010, principal amount totalling US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 31 December 2011, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$40,864 million (2010 – HK$27,301 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$3,649 million (2010 – HK$1,653 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 7.

39 Legal proceedings

As at 31 December 2011, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

40 Subsequent events

In February 2012, Hutchison 3G Austria ("**3** Austria"), a wholly owned subsidiary of the Group, announced that it has entered into an agreement to acquire 100% interest of Orange Austria for an enterprise value of approximately EUR1,300 million. Immediately after the acquisition, **3** Austria will sell part of the acquired assets to a third party for a consideration of EUR390 million. The completion of these transactions is subject to the approval by the relevant regulatory and anti-trust authorities.

In February and March 2012, Cheung Kong Infrastructure ("CKI"), a subsidiary company of the Group raised approximately HK$2,291 million and HK$2,307 million by issuing new perpetual capital securities and new shares respectively. Following these issues, the Group's interest in CKI's ordinary shares has reduced from approximately 82% to 80% (which excludes the shares issued to and held by the fiduciary in connection with the issue of new perpetual capital securities in February 2012).

41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2011, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 142 to 238 were approved by the Board of Directors on 29 March 2012.

43 Profit before tax

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, profit before tax is shown after crediting and charging the following items:

	2011 HK$ millions	2010 HK$ millions
Credits:		
Share of profits less losses after tax of associated companies		
Listed	**9,343**	4,683
Unlisted	**4,476**	1,786
	13,819	6,469
Share of gross rental income of associated companies and jointly controlled entities	**466**	635
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	**82**	78
Other subsidiaries (excluding HHR)	**3,393**	3,314
Less: intra group rental income	**(360)**	(349)
	3,115	3,043
Less: related outgoings	**(25)**	(26)
Net rental income of subsidiary companies	**3,090**	3,017
Dividend and interest income from managed funds and other investments		
Listed	**694**	840
Unlisted	**67**	75
Charges:		
Depreciation and amortisation		
Fixed assets	**12,688**	13,093
Leasehold land	**522**	912
Telecommunications licences	**458**	390
Brand names and other rights	**412**	537
	14,080	14,932
Inventories write-off	**1,193**	950
Operating leases		
Properties	**16,185**	14,604
Hire of plant and machinery	**2,262**	1,931
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**179**	177
– other auditors	**12**	15
Non-audit work – PricewaterhouseCoopers	**70**	28
– other auditors	**30**	22

44 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to be in a healthy financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$86,778 million at 31 December 2011, a 25% reduction from the balance of HK$116,237 million at 31 December 2010, mainly reflecting the utilisation of cash for the repayment and early repayment of certain borrowings, dividend payments to ordinary and non-controlling shareholders as well as to perpetual capital securities holders, acquisition of fixed assets and investments, net of the positive funds from operations from the Group's businesses, proceeds from IPO of HPH Trust and disposal of fixed assets. Liquid assets were denominated as to 6% in HK dollars, 48% in US dollars, 19% in Renminbi, 8% in Euro, 5% in British pounds and 14% in other currencies (2010 – 9% were denominated in HK dollars, 46% in US dollars, 21% in Renminbi, 8% in Euro, 5% in British pounds and 11% in other currencies).

Cash and cash equivalents represented 76% (2010 – 79%) of the liquid assets, US Treasury notes and listed / traded debt securities 16% (2010 – 15%), listed equity securities 7% (2010 – 5%) and long-term deposits and others 1% (2010 – 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 48% (2010 – 12%), government guaranteed notes of 15% (2010 – 47%), supranational notes of 14% (2010 – 17%), notes issued by the Group's associated company, Husky Energy Inc of 7% (2010 – 5%), government related entities issued notes of nil (2010 – 7%), and others of 16% (2010 – 12%). Of these US Treasury notes and listed / traded debt securities, 74% (2010 – 82%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.1 years (2010 – 1.1 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British pound, Euro and HK dollar borrowings.

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

At 31 December 2011, approximately 34% (2010 – approximately 40%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 66% (2010 – approximately 60%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$70,988 million (2010 – approximately HK$71,300 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$3,996 million (2010 – HK$4,270 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 66% (2010 – approximately 67%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 34% (2010 – approximately 33%) were at fixed rates at 31 December 2011.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currencies hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of certain countries where the Group has overseas operations, including the Euro, British pound, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK$2,478 million (2010 – loss of HK$2,611 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and jointly controlled entities. This unrealised gain is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2011, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2010 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in Euro, 29% in US dollars, 22% in HK dollars, 9% in British pounds and 7% in other currencies (2010 – 28% in Euro, 29% in US dollars, 31% in HK dollars, 5% in British pounds and 7% in other currencies).

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 23% (2010 – approximately 20%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments, changes in market interest rates affect their fair value. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 24)
- some of the listed debt securities and managed funds (see note 23) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 23) that bear interest at floating rate
- some of the bank and other debts (see note 28) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 29)

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 100 basis points increase in market interest rate at the end of the reporting period, with all other variables held constant:

- profit for the year would decrease by HK$958 million (2010 – HK$1,366 million) due to increase in interest expense;
- total equity would decrease by HK$958 million (2010 – HK$1,366 million) due to increase in interest expense; and
- total equity would decrease by HK$119 million (2010 – HK$9 million) mainly due to decrease in value of available-for-sale investments.

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward currency contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments, changes in foreign exchange rates affect their fair value. All fair value hedges designed for hedging currency risk are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 24)
- some of the liquid funds and other listed investments (see note 23)
- some of the bank and other debts (see note 28)

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 10% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2011		2010	
	Hypothetical increase (decrease) in profit for the year HK$ millions	**Hypothetical increase (decrease) in total equity HK$ millions**	Hypothetical increase (decrease) in profit for the year HK$ millions	Hypothetical increase (decrease) in total equity HK$ millions
EURO	**66**	**66**	59	59
GBP	**156**	**(1,672)**	159	224
AUD	**167**	**11**	265	405
RMB	**16**	**86**	25	102
USD	**1,647**	**1,647**	2,168	2,174
Japanese Yen	**(309)**	**(311)**	(290)	(295)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 23)
- financial assets at fair value through profit or loss (see note 23)

Under these assumptions, the impact of a hypothetical 10% increase in the market price of the Group's available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK$42 million (2010 – HK$83 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$42 million (2010 – HK$83 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$1,978 million (2010 – HK$2,372 million) due to increase in gains on available-for-sale investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amount	Carrying amounts
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2011						
Trade payables	24,694	–	–	24,694	–	24,694
Other payables and accruals	51,663	–	–	51,663	–	51,663
Interest free loans from non-controlling shareholders	468	–	–	468	–	468
Bank loans	28,812	44,764	4	73,580	(268)	73,312
Other loans	55	170	239	464	(54)	410
Notes and bonds	–	96,610	43,200	139,810	5,022	144,832
Interest bearing loans from non-controlling shareholders	–	6,269	233	6,502	–	6,502
Obligations for telecommunications licences and other rights	637	2,798	1,405	4,840	(1,431)	3,409
	106,329	150,611	45,081	302,021	3,269	305,290

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,617 million in "within 1 year" maturity band, HK$22,527 million in "after 1 year, but within 5 years" maturity band, and HK$20,843 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2011				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(42)	(95)	–	(137)
Cash flow hedges – forward foreign exchange contracts				
Inflow	1,642	–	–	1,642
Outflow	(1,594)	–	–	(1,594)

(g) Contractual maturities of financial liabilities (continued)

	Contractual maturities					
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions	Difference from carrying amount HK$ millions	Carrying amounts HK$ millions
At 31 December 2010						
Trade payables	22,460	–	–	22,460	–	22,460
Other payables and accruals	54,429	–	–	54,429	–	54,429
Interest free loans from non-controlling shareholders	2,327	–	–	2,327	–	2,327
Bank loans	14,357	83,414	18	97,789	(394)	97,395
Other loans	188	191	250	629	(58)	571
Notes and bonds	8,580	72,337	68,027	148,944	4,346	153,290
Interest bearing loans from non-controlling shareholders	–	10,246	3,247	13,493	–	13,493
Obligations for telecommunications licences and other rights	874	2,782	253	3,909	(816)	3,093
	103,215	168,970	71,795	343,980	3,078	347,058

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,756 million in "within 1 year" maturity band, HK$27,910 million in "after 1 year, but within 5 years" maturity band, and HK$24,597 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions
At 31 December 2010				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(11)	(34)	–	(45)
Cash flow hedges – forward foreign exchange contracts				
Inflow	3,075	–	–	3,075
Outflow	(3,091)	–	–	(3,091)

(h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement includes the following items:

	2011 HK$ millions	2010 HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**(6)**	48
Gains arising on derivatives in a designated fair value hedge	**1,530**	2,747
Losses arising on adjustment for hedged item in a designated fair value hedge	**(1,530)**	(2,747)
Interest income on available-for-sale financial assets	**492**	666

44 Financial risk management (continued)

(i) Fair value of financial instruments

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value. The amendment to HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The following tables provide an analysis of financial instruments that are measured at fair value, grouped into Level 1 to Level 3:

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2011				
Financial instruments measured at fair value				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	1,197	1,197
Managed funds, outside Hong Kong (see note 23)	10,485	–	–	10,485
Listed / traded debt securities, outside Hong Kong (see note 23)	902	2,218	–	3,120
Listed equity securities, Hong Kong (see note 23)	988	–	–	988
Listed equity securities, outside Hong Kong (see note 23)	4,046	–	1,142	5,188
Financial assets at fair value through profit or loss (see note 23)	–	422	–	422
	16,421	2,640	2,339	21,400
Fair value hedges				
Interest rate swaps (see note 22)	–	2,518	–	2,518
Cross currency interest rate swaps (see note 22)	–	1,883	–	1,883
	–	4,401	–	4,401
Cash flow hedges				
Forward foreign exchange contracts (see notes 22 and 25)	–	425	–	425
Interest rate swaps (see note 31)	–	(201)	–	(201)
Forward foreign exchange contracts (see note 26)	–	(12)	–	(12)
	–	212	–	212

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2010				
Financial instruments measured at fair value				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	1,175	1,175
Managed funds, outside Hong Kong (see note 23)	14,505	–	–	14,505
Listed/traded debt securities, outside Hong Kong (see note 23)	867	2,169	–	3,036
Listed equity securities, Hong Kong (see note 23)	913	–	–	913
Listed equity securities, outside Hong Kong (see note 23)	4,191	–	1,071	5,262
Financial assets at fair value through profit or loss (see note 23)	–	833	–	833
	20,476	3,002	2,246	25,724
Fair value hedges				
Interest rate swaps (see note 22)	–	1,776	–	1,776
Cross currency interest rate swaps (see note 22)	–	1,105	–	1,105
	–	2,881	–	2,881
Cash flow hedges				
Interest rate swaps (see note 22)	–	15	–	15
Forward foreign exchange contracts (see notes 22 and 25)	–	390	–	390
Interest rate swaps (see note 31)	–	(2)	–	(2)
Forward foreign exchange contracts (see note 26)	–	(60)	–	(60)
	–	343	–	343

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

There were no transfers between the Level 1 and Level 2 during the year.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques.

Specific valuation techniques used to value financial instruments include discounted cash flow analysis, are used to determine fair value for the financial instruments.

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

	2011 HK$ millions	2010 HK$ millions
At 1 January	**2,246**	2,337
Total gains (losses) recognised in		
Income statement	**(1)**	(1)
Other comprehensive income	**91**	382
Additions	**129**	264
Disposals	**(133)**	(736)
Exchange translation differences	**7**	–
At 31 December	**2,339**	2,246
Total losses for the year included in income statement and presented in other operating expenses	**(1)**	(1)
Total losses recognised in income statement relating to those instruments held at the end of the reporting period	**(1)**	(1)

45 Statement of financial position of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2011 is set out as follows:

	2011 HK$ millions	2010 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares[a]	**39,931**	39,931
Current assets		
Amounts due from subsidiary companies[b]	**67,766**	66,906
Current liabilities		
Other payables and accruals	**81**	69
Net current assets	**67,685**	66,837
Net assets	**107,616**	106,768
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves[c]	**106,550**	105,702
Shareholders' funds	**107,616**	106,768

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

45 Statement of financial position of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 233 to 238.

(b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.

(c) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2010	28,359	77,314	105,673
Profit for the year	–	7,399	7,399
Unclaimed dividend write back	–	5	5
Dividends paid relating to 2009	–	(5,201)	(5,201)
Dividends paid relating to 2010	–	(2,174)	(2,174)
At 31 December 2010	**28,359**	**77,343**	**105,702**
Profit for the year	**–**	**9,204**	**9,204**
Dividends paid relating to 2010	**–**	**(6,011)**	**(6,011)**
Dividends paid relating to 2011	**–**	**(2,345)**	**(2,345)**
At 31 December 2011	**28,359**	**78,191**	**106,550**

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK$218,554 million (2010 – HK$251,256 million), the Company has guaranteed a total of HK$173,244 million (2010 – HK$201,429 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities of US$2,000 million, approximately HK$15,600 million (2010 – HK$15,600 million) issued by a wholly owned subsidiary company.

(f) The Company has provided some guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities and associated companies totalling HK$5,102 million (2010 – nil) and HK$1,366 million (2010 – nil) respectively and other guarantees of HK$1,214 million (2010 – nil). These amounts have been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$9,204 million (2010 – HK$7,399 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2011 amounting to HK$78,191 million (2010 – HK$77,343 million).