1 Significant accounting policies

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 below.

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2006 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 1(c) and 1(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 2006 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 1(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.

Jointly controlled entities are 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.

1 Significant accounting policies (continued)

(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 fifty 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 - 33 1/3%
Container terminal equipment	5 - 20%
Telecommunications equipment	2.8 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the 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 profit or loss.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in profit or loss.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the balance sheet as leasehold land and expensed in profit or loss on a straight-line basis over the period of the lease.

(h) Telecommunications licences

Telecommunications licences are comprised of the upfront payments 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 are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence periods ranging from approximately 11 to 19 years and are stated net of accumulated amortisation.

(i) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties ("Telecommunications postpaid CACs") are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12 to 24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn. Telecommunications postpaid customer acquisition costs are stated net of accumulated amortisation.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, ("Telecommunications prepaid CACs") are expensed in the period incurred.

1 Significant accounting policies (continued)

(j) Goodwill

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

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 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 definite 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.

(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 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 infrastructure projects. These investments are recognised and derecognised on the date the Group commits to purchase or sell the investments or when they expire.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised in the balance sheet at fair value plus transaction costs and subsequently carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit or loss.

1 Significant accounting policies (continued)

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

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 included in profit or loss and are only designated as such at time of acquisition. These financial assets are initially recognised in the balance sheet at fair value.

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. These investments are initially recognised in the balance sheet at fair value plus transaction costs and measured at each subsequent reporting date at fair value. Changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. 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 the investment revaluation reserve is recognised in profit or loss.

(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 Hong Kong Accounting Standard ("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 derivatives, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in profit or loss as interest and other finance costs.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised 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 derivatives are dealt with as movements in hedging reserve.

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

(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 profit or loss 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.

1 Significant accounting policies (continued)

(q) Inventories

Inventories consist mainly of retail goods and the carrying value is mainly determined using the weighted average cost method. Other 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.

(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 proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

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 profit or loss 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) Share Capital

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

(v) 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.

(w) 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. Leases 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 profit or loss. All other leases are accounted for as operating leases and the rental payments are charged to profit or loss on accrual basis.

1 Significant accounting policies (continued)

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. 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 profit or loss 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.

(y) 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 profit or loss 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 balance sheet date based on 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, outside profit or loss, in reserves.

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

Pension costs are charged against profit or loss 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.

(z) 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 each balance sheet date.

(aa) Foreign exchange

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

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are dealt with as a movement in exchange reserve. On disposal of the net investment in a foreign entity, such exchange gains or losses are transferred out of the exchange reserve and are recognised in profit or loss. Exchange differences arising from translation of inter-company loan balances between Group entities are taken to exchange reserve when such loans form part of the Group's net investment in a foreign entity. When such loans are repaid, the related exchange gains or losses are transferred out of the exchange reserve and are recognised in profit or loss.

1 Significant accounting policies (continued)

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables 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 occupation permit, whichever is later.
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.

Energy and infrastructure
Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded on a gross basis 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.
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.

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.

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 sales of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.
Monthly access charge on the provision of fixed-line telecommunications services is recognised on a straight-line basis over the respective period.
Other service income is recognised when the service is rendered.

1 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:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

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

2 Restatement of certain 2005 comparative information

In accordance with HKFRS 3, Business Combinations, the provisionally estimated fair values of assets and liabilities acquired on the acquisitions of Marionnaud Parfumeries SA ("Marionnaud") and Merchant Retail Group in 2005 were used for the preparation of the 31 December 2005 annual accounts. The fair value exercise was completed during the current year, and pursuant to HKFRS 3, the comparative 31 December 2005 consolidated balance sheet has been restated to reflect the revised fair value of assets and liabilities acquired. The effect of the reassessed fair values was not material and is as follows:

	HK$ millions
Decrease in fixed assets	(35)
Increase in goodwill	5
Decrease in deferred tax assets	(88)
Increase in other receivables and prepayments	143
Increase in other payables and accruals	(25)

In addition, the presentation of certain comparative information has been changed to conform with the current year's presentation, which does not have any impact on the profit for the year or total equity.

3 Critical accounting estimates and judgements

Note 1 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 selection and disclosure of the critical accounting policies, estimates and judgements have been discussed with the Group's Audit Committee. 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 by management.

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed 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 profit or loss 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.

Management 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 selected by management 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 profit or loss.

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2006 and 31 December 2005 to assess whether the carrying values of the Group's 3G 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. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

The future cash flow projections for the 3G 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 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 network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in the customer operations 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. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the new 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 10%. 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.

(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 are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence period and are stated net of accumulated amortisation.

The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted licence periods, which could impact the amount of amortisation expense charged to profit or loss.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(iii) Telecommunications customer acquisition costs

Net costs to acquire mobile telecommunications customers, which are primarily 3G customers, pursuant to a contract with early termination penalties are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12-24 months. In the event that a customer churns off the network within the contractual control period, any unamortised customers acquisition costs are written off in the period in which the customers churn.

Net costs to acquire prepaid mobile telecommunications customers, which are primarily 3G customers, are expensed in the period incurred.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. 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 annual impairment test described above. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year 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. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 8% to 10%. 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.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet 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 profit or loss.

(e) Tax

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.

3 Critical accounting estimates and judgements (continued)

(e) Tax (continued)

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 each balance sheet date 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 profit or loss.

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans 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 3G operation in the UK where, among 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. No deferred tax assets have been recognised for the unused tax losses carried forward by the Group's 3G other operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for **3** UK depends principally on this business 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 profit or loss if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. 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.

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 initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(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 profit or loss so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Actuarial gains and losses are recognised in full in the year in which they occur, outside profit or loss, in reserves.

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.

4 Financial risk management

The Group's major financial instruments include liquid funds and other listed investments and borrowings. Details of these financial instruments are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by its executive directors, 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 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 derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transaction for speculative purposes.

(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, 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 net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

(b) Interest rate exposure

The Group's main interest risk exposures relate to US dollar, Euro and HK dollar borrowings. 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 a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively, as described in note 29.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. During the year, the HK dollar weakened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised gain of HK$15,416 million (2005 – unrealised charge of HK$13,904 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist, as described in note 1(n).

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments expose the Group to credit risk of the counterparty. The Group controls its credit risk to non-performance by its counterparties through the setting of approved counterparty credit limits which are regularly reviewed and by monitoring their credit ratings.

5 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:

	2006 HK$ millions	2005 HK$ millions
Sales of goods	92,334	83,271
Rendering of services	85,677	93,315
Interest	5,461	5,495
Dividends	340	503
	183,812	182,584

6 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information (See notes 20 and 21).

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK$65 million (2005 – nil), Property and hotels is HK$251 million (2005 – HK$308 million), Finance & investments and others is HK$384 million (2005 – HK$306 million) and Hutchison Telecommunications International is nil (2005 – HK$17 million).

Business segment

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	29,081	3,960	33,041	15%	26,561	3,356	29,917	15%
Property and hotels	4,889	5,828	10,717	5%	4,275	5,990	10,265	5%
Retail	86,876	12,273	99,149	45%	78,850	9,930	88,780	44%
Cheung Kong Infrastructure	2,207	12,615	14,822	7%	2,508	14,082	16,590	8%
Husky Energy	–	29,981	29,981	14%	–	22,879	22,879	11%
Finance & investments and others	10,248	2,366	12,614	6%	8,527	2,003	10,530	5%
Hutchison Telecommunications International	–	16,672	16,672	8%	24,480	919	25,399	12%
Subtotal - established businesses	133,301	83,695	216,996	100%	145,201	59,159	204,360	100%
TELECOMMUNICATIONS - 3 Group	50,511	157	50,668		37,383	119	37,502	
	183,812	83,852	267,664		182,584	59,278	241,862	

6 Segment information (continued)

Business segment (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries	Associates and JCE	2006 Total		Company and Subsidiaries	Associates and JCE	2005 Total	
	HK$ millions	HK$ millions	HK$ millions	% [a]	HK$ millions	HK$ millions	HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	9,881	1,514	11,395	26%	8,978	1,241	10,219	27%
Property and hotels	2,649	3,018	5,667	13%	1,994	1,945	3,939	10%
Retail	2,059	661	2,720	6%	2,761	500	3,261	9%
Cheung Kong Infrastructure	629	5,507	6,136	14%	1,088	5,587	6,675	17%
Husky Energy	–	8,305	8,305	19%	–	6,140	6,140	16%
Finance & investments and others	6,305	615	6,920	16%	5,009	504	5,513	14%
Hutchison Telecommunications International	–	2,648	2,648	6%	2,586	203	2,789	7%
EBIT – established businesses	21,523	22,268	43,791	100%	22,416	16,120	38,536	100%
TELECOMMUNICATIONS – 3 Group [c]								
EBIT before depreciation, amortisation and telecommunications expensed prepaid CACs	13,216	7	13,223		1,825	–	1,825	
Telecommunications expensed prepaid CACs	(5,494)	–	(5,494)		(11,444)	–	(11,444)	
EBIT (LBIT) before depreciation and amortisation and after telecommunications expensed prepaid CACs	7,722	7	7,729		(9,619)	–	(9,619)	
Depreciation	(9,497)	(4)	(9,501)		(9,086)	–	(9,086)	
Amortisation of licence fees and other rights	(6,503)	–	(6,503)		(6,060)	–	(6,060)	
Amortisation of telecommunications postpaid CACs	(11,721)	–	(11,721)		(11,515)	–	(11,515)	
EBIT (LBIT) – Telecommunications – 3 Group	(19,999)	3	(19,996)		(36,280)	–	(36,280)	
Change in fair value of investment properties	2,843	959	3,802		3,685	1,540	5,225	
Profit on disposal of investments and others (See note 7)	23,290	–	23,290		25,117	–	25,117	
EBIT	27,657	23,230	50,887		14,938	17,660	32,598	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(3,745)				(2,751)		
Current tax		(3,273)				(1,608)		
Deferred tax		(901)				(1,285)		
Minority interests		(764)				(22)		
Share of profits less losses after tax of associated companies and jointly controlled entities		14,547				11,994		

6 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2006 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions
ESTABLISHED BUSINESSES						
Ports and related services	**2,848**	**517**	**3,365**	2,649	456	3,105
Property and hotels	**309**	**151**	**460**	301	204	505
Retail	**1,941**	**161**	**2,102**	1,769	80	1,849
Cheung Kong Infrastructure	**125**	**1,852**	**1,977**	209	2,668	2,877
Husky Energy	**–**	**4,232**	**4,232**	–	3,196	3,196
Finance & investments and others	**147**	**90**	**237**	135	76	211
Hutchison Telecommunications International	**–**	**2,335**	**2,335**	4,003	98	4,101
Subtotal – established businesses	**5,370**	**9,338**	**14,708**	9,066	6,778	15,844
TELECOMMUNICATIONS – 3 Group	**27,721**	**4**	**27,725**	26,661	–	26,661
	33,091	**9,342**	**42,433**	35,727	6,778	42,505

	Capital expenditure				
	Fixed assets, investment properties and leasehold land HK$ millions	**Telecom-munications licences HK$ millions**	**Telecom-munications postpaid customer acquisition costs HK$ millions**	**Brand names and other rights HK$ millions**	**2006 Total HK$ millions**
ESTABLISHED BUSINESSES					
Ports and related services	**9,049**	**–**	**–**	**230**	**9,279**
Property and hotels	**221**	**–**	**–**	**–**	**221**
Retail	**2,668**	**–**	**–**	**–**	**2,668**
Cheung Kong Infrastructure	**42**	**–**	**–**	**–**	**42**
Husky Energy	**–**	**–**	**–**	**–**	**–**
Finance & investments and others	**369**	**–**	**–**	**55**	**424**
Hutchison Telecommunications International	**–**	**–**	**–**	**–**	**–**
Subtotal – established businesses	**12,349**	**–**	**–**	**285**	**12,634**
TELECOMMUNICATIONS – 3 Group [(d)]	**11,559**	**–**	**15,223**	**1,578**	**28,360**
	23,908	**–**	**15,223**	**1,863**	**40,994**

6 Segment information (continued)

Business segment (continued)

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Telecom-munications postpaid customer acquisition costs	Brand names and other rights	2005 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	4,951	–	–	796	5,747
Property and hotels	226	–	–	–	226
Retail	2,454	–	–	–	2,454
Cheung Kong Infrastructure	78	–	–	–	78
Husky Energy	–	–	–	–	–
Finance & investments and others	422	–	–	–	422
Hutchison Telecommunications International	4,824	–	533	–	5,357
Subtotal – established businesses	12,955	–	533	796	14,284
TELECOMMUNICATIONS - 3 Group (d)	14,051	221	12,099	–	26,371
	27,006	221	12,632	796	40,655

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2006 Total assets	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2005 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	81,874	256	10,937	93,067	69,622	215	9,856	79,693
Property and hotels	47,239	10	22,864	70,113	45,050	12	20,717	65,779
Retail	50,851	170	2,001	53,022	37,496	194	1,520	39,210
Cheung Kong Infrastructure	16,540	–	41,267	57,807	15,918	287	38,995	55,200
Husky Energy	–	–	26,052	26,052	–	–	21,892	21,892
Finance & investments and others	128,856	43	2,776	131,675	116,461	32	2,676	119,169
Hutchison Telecommunications International	–	–	7,043	7,043	–	–	6,759	6,759
Subtotal – established businesses	325,360	479	112,940	438,779	284,547	740	102,415	387,702
TELECOMMUNICATIONS - 3 Group (f)	221,536	16,680	521	238,737	194,264	14,895	203	209,362
	546,896	17,159	113,461	677,516	478,811	15,635	102,618	597,064

6 Segment information (continued)

Business segment (continued)

	Total liabilities							
	Segment liabilities (g)	Current & long-term borrowings (h) and other non-current liabilities	Current & deferred tax liabilities	2006 Total liabilities	Segment liabilities (g)	Current & long-term borrowings (h) and other non-current liabilities	Current & deferred tax liabilities	2005 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	14,870	41,709	6,539	63,118	11,980	27,057	6,532	45,569
Property and hotels	2,277	805	4,276	7,358	2,319	815	3,874	7,008
Retail	10,033	28,520	331	38,884	9,084	25,761	463	35,308
Cheung Kong Infrastructure	1,441	9,505	1,809	12,755	1,203	9,068	2,112	12,383
Husky Energy	–	–	2,129	2,129	–	–	1,651	1,651
Finance & investments and others	14,818	66,055	1,126	81,999	13,831	77,406	864	92,101
Hutchison Telecommunications International	–	–	–	–	–	–	–	–
Subtotal - established businesses	43,439	146,594	16,210	206,243	38,417	140,107	15,496	194,020
TELECOMMUNICATIONS - 3 Group	25,426	154,844	438	180,708	19,923	129,158	334	149,415
	68,865	301,438	16,648	386,951	58,340	269,265	15,830	343,435

6 Segment information (continued)

Geographical segment

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	%
Hong Kong	31,060	14,105	45,165	17%	36,459	13,154	49,613	20%
Mainland China	16,135	8,811	24,946	9%	13,256	6,310	19,566	8%
Asia and Australia	20,028	18,032	38,060	14%	36,055	7,108	43,163	18%
Europe	106,908	12,651	119,559	45%	89,028	9,645	98,673	41%
Americas and others	9,681	30,253	39,934	15%	7,786	23,061	30,847	13%
	183,812	83,852	267,664	100%	182,584	59,278	241,862	100%

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2005 Total HK$ millions	%
Hong Kong	6,057	4,311	10,368	20%	2,801	5,441	8,242	25%
Mainland China	4,658	3,260	7,918	16%	4,078	1,988	6,066	19%
Asia and Australia	1,009	5,115	6,124	12%	2,663	1,734	4,397	13%
Europe	(14,480)	1,303	(13,177)	-26%	(26,906)	755	(26,151)	-80%
Americas and others	4,280	8,282	12,562	25%	3,500	6,202	9,702	30%
Change in fair value of investment properties	2,843	959	3,802	7%	3,685	1,540	5,225	16%
Profit on disposal of investments and others (See note 7)	23,290	–	23,290	46%	25,117	–	25,117	77%
EBIT	27,657	23,230	50,887	100%	14,938	17,660	32,598	100%
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs		(3,745)				(2,751)		
Current tax		(3,273)				(1,608)		
Deferred tax		(901)				(1,285)		
Minority interests		(764)				(22)		
Share of profits less losses after tax of associated companies and jointly controlled entities		14,547				11,994		

6 Segment information (continued)

Geographical segment (continued)

	Capital expenditure (d)				
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Telecom-munications postpaid customer acquisition costs HK$ millions	Brand names and other rights HK$ millions	2006 Total HK$ millions
Hong Kong	**1,503**	**–**	**–**	**55**	**1,558**
Mainland China	**4,622**	**–**	**–**	**–**	**4,622**
Asia and Australia	**2,337**	**–**	**445**	**14**	**2,796**
Europe	**14,207**	**–**	**14,778**	**1,794**	**30,779**
Americas and others	**1,239**	**–**	**–**	**–**	**1,239**
	23,908	**–**	**15,223**	**1,863**	**40,994**

	Capital expenditure (d)				
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Telecom-munications postpaid customer acquisition costs HK$ millions	Brand names and other rights HK$ millions	2005 Total HK$ millions
Hong Kong	1,789	–	477	–	2,266
Mainland China	2,355	–	–	–	2,355
Asia and Australia	6,500	–	617	–	7,117
Europe	15,418	221	11,538	–	27,177
Americas and others	944	–	–	796	1,740
	27,006	221	12,632	796	40,655

6 Segment information (continued)

Geographical segment (continued)

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2006 Total assets	Segment assets (e)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2005 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	91,032	101	36,890	128,023	81,827	78	37,561	119,466
Mainland China	33,937	43	27,650	61,630	28,031	301	25,649	53,981
Asia and Australia	36,831	134	14,211	51,176	36,221	141	9,894	46,256
Europe	286,799	16,815	6,366	309,980	251,889	15,077	5,369	272,335
Americas and others	98,297	66	28,344	126,707	80,843	38	24,145	105,026
	546,896	17,159	113,461	677,516	478,811	15,635	102,618	597,064

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

(b) Earnings (losses) before interest expense and tax ("EBIT" or "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 which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense 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 profit (loss) 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 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 profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(c) Included in LBIT of Telecommunications – **3** Group in 2006 are foreign exchange gains totalling HK$2,294 million (2005 – nil) which mainly comprise a HK$1,731 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling notes and bank loans and a HK$428 million gain arising from the Group's refinancing of certain non-Swedish Krona borrowings with Swedish Krona bank loans.

(d) Included in capital expenditures of Telecommunications – **3** Group in 2006 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2006 which increased total expenditure by HK$3,074 million (2005 – decrease of HK$3,019 million).

(e) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, telecommunications postpaid customer acquisition costs, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.

(f) Included in total assets of Telecommunications – **3** Group is an unrealised foreign currency exchange gain arising in 2006 of HK$19,505 million (2005 – loss of HK$18,979 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

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

(h) Current and long-term borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

7 Profit on disposal of investments and others

	2006 HK$ millions	2005 HK$ millions
ESTABLISHED BUSINESSES		
Profit on partial disposal of subsidiaries	**24,380**	14,050
Profit on disposal of associated companies	**–**	3,699
Impairment loss	**–**	(2,032)
TELECOMMUNICATIONS - 3 Group		
Profit on sale of **3**UK data centres	**751**	–
CDMA network closure costs	**(1,841)**	–
Profit on elimination of minority interests	**–**	9,400
	23,290	25,117

Profit on partial disposal of subsidiaries for the year arises from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments. The CDMA network closure costs relate to the closure in August 2006 of the Group's 2G CDMA services in Australia and the costs to migrate the 2G customers to the 3G network.

Profit on partial disposal of subsidiaries in 2005 represented a profit of HK$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong), a profit of HK$1,150 million from issuance of new Hutchison Telecommunications International Limited ("HTIL") shares to privatise Hutchison Global Communications Holdings Limited and a profit of HK$7,400 million from the disposal of a 19.3% interest in HTIL.

Profit on disposal of associated companies of HK$3,699 million in 2005 related to the disposal of a 49% interest in Cheung Kong Infrastructure's Australian electricity distribution businesses.

The impairment loss in 2005 related to certain infrastructure operations and projects of Cheung Kong Infrastructure. The impairment loss was primarily made against fixed assets of HK$769 million due to physical damage and technical obsolescence, against leasehold land, outside Hong Kong of HK$21 million by references to the latest market transaction prices, and against investments in associated companies and jointly controlled entities of HK$1,116 million and other non-current assets of HK$126 million due to lower projected revenue from certain projects and operations.

Profit on elimination of minority interests of HK$9,400 million in 2005 arose from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to its net asset value.

8 Interest and other finance costs

	2006 HK$ millions	2005 HK$ millions
Bank loans and overdrafts	**5,856**	6,332
Other loans repayable within 5 years	**754**	572
Other loans not wholly repayable within 5 years	**6**	387
Notes and bonds repayable within 5 years	**2,688**	1,798
Notes and bonds not wholly repayable within 5 years	**6,492**	5,818
Interest bearing loans from minority shareholders repayable within 5 years	**558**	229
Interest bearing loans from minority shareholders not wholly repayable within 5 years	**71**	2
	16,425	15,138
Notional non-cash interest accretion	**611**	846
	17,036	15,984
Less: interest capitalised	**(435)**	(579)
	16,601	15,405

Borrowing costs have been capitalised at various applicable rates ranging from 4.6% to 7.9% per annum (2005 – 3% to 7% per annum).

Notional non-cash interest accretion represents amortisation of upfront facility fees and other notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet 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.

9 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 2005 and 2006 are as below:

	2006					
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) (g)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning [(b)]	0.10	9.81	119.00	2.03	–	130.94
CHOW WOO Mo Fong, Susan [(b)]	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT [(b)]	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic [(b)]	0.10	4.86	12.10	0.89	–	17.95
KAM Hing Lam [(b)]						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS [(e)]						
Paid by the Company	0.10	–	–	–	–	0.10
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.17	–	–	–	–	0.17
William SHURNIAK [(e) (f)]	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.10	–	–	–	–	0.10
Holger KLUGE [(c) (f) (g)]	0.25	–	–	–	–	0.25
Simon MURRAY [(c)]	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond [(c)]	0.10	–	–	–	–	0.10
WONG Chung Hin [(c) (f) (g)]	0.25	–	–	–	–	0.25
Total	1.88	36.02	227.15	5.03	–	270.08

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2005 – 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 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 are HK$800,000 (2005 – HK$780,000).

(d) Re-designated as non-executive director on 1 November 2005

(e) Non-executive director

(f) Members of the Audit Committee

(g) Members of the Remuneration Committee

9 Directors' emoluments (continued)

	2005					
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
Name of directors	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
LI Ka-shing [(a) (g)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	–	–	30.54
Paid by Cheung Kong Infrastructure	0.07	–	8.00	–	–	8.07
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.10	4.44	34.00	–	–	38.54
FOK Kin-ning, Canning [(b)]	0.10	9.83	119.00	2.03	–	130.96
CHOW WOO Mo Fong, Susan [(b)]	0.10	7.34	26.00	1.47	–	34.91
Frank John SIXT [(b)]	0.16	7.32	25.88	0.64	–	34.00
LAI Kai Ming, Dominic [(b)]	0.10	4.88	11.00	0.85	–	16.83
KAM Hing Lam [(b)]						
Paid by the Company	0.10	2.25	6.30	–	–	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	–	–	8.14
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.10	2.25	10.17	–	–	12.52
George Colin MAGNUS [(b) (d)]	0.12	3.36	3.50	–	–	6.98
William SHURNIAK [(e) (f)]	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.10	–	–	–	–	0.10
Holger KLUGE [(c) (f) (g)]	0.24	–	–	–	–	0.24
Simon MURRAY [(c)]	0.10	–	–	–	–	0.10
OR Ching Fai, Raymond [(c)]	0.10	–	–	–	–	0.10
WONG Chung Hin [(c) (f) (g)]	0.24	–	–	–	–	0.24
Total	1.81	39.42	229.55	4.99	–	275.77

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 (2005 – Nil).

In 2006, 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$5.96 million; provident fund contribution – HK$0.46 million; and bonus – HK$73.0 million. In 2005, 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$5.59 million; provident fund contribution – HK$0.44 million; and bonus – HK$26.0 million.

10 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2006 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2005 Total HK$ millions
Hong Kong	**424**	**388**	**812**	532	554	1,086
Outside Hong Kong	**1,136**	**1,029**	**2,165**	1,979	(5,092)	(3,113)
	1,560	**1,417**	**2,977**	2,511	(4,538)	(2,027)

Hong Kong profits tax has been provided for at the rate of 17.5% (2005 – 17.5%) 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. During the year, no deferred tax assets has been recognised for the losses of 3G businesses (2005 – HK$5,926 million) (See note 22).

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:

	Established businesses HK$ millions	Telecom-munications - 3 Group HK$ millions	2006 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**3,097**	**(8,677)**	**(5,580)**
Tax losses not recognised	**336**	**8,803**	**9,139**
Tax incentives	**(367)**	**–**	**(367)**
Income not subject to tax	**(1,003)**	**(224)**	**(1,227)**
Expenses not deductible for tax purposes	**1,350**	**123**	**1,473**
Recognition of previously unrecognised tax losses	**(20)**	**–**	**(20)**
Utilisation of previously unrecognised tax losses	**(50)**	**–**	**(50)**
Under provision in prior years	**(97)**	**1**	**(96)**
Deferred tax assets written off	**12**	**–**	**12**
Other temporary differences	**(278)**	**(14)**	**(292)**
Effect of change in tax rate	**(15)**	**–**	**(15)**
Total tax for the year	**2,965**	**12**	**2,977**

10 Tax (continued)

	Established businesses HK$ millions	Telecom-munications – **3** Group HK$ millions	2005 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	1,947	(13,927)	(11,980)
Tax losses not recognised	1,801	8,112	9,913
Tax incentives	(899)	–	(899)
Income not subject to tax	(1,478)	(166)	(1,644)
Expenses not deductible for tax purposes	2,904	38	2,942
Recognition of previously unrecognised tax losses	(131)	–	(131)
Utilisation of previously unrecognised tax losses	(568)	–	(568)
Under provision in prior years	119	83	202
Deferred tax assets written off	2	–	2
Other temporary differences	206	(84)	122
Effect of change in tax rate	(6)	20	14
Total tax for the year	3,897	(5,924)	(2,027)

11 Dividends

	2006 HK$ millions	2005 HK$ millions
Interim, paid of HK$0.51 per share (2005 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.22 per share (2005 – HK$1.22)	**5,201**	5,201
	7,375	7,375

12 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$20,030 million (2005 – HK$14,343 million) and on 4,263,370,780 shares in issue during 2006 (2005 – 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 and convertible debts outstanding as at 31 December 2006. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2006 did not have a dilutive effect on earnings per share.

13 Fixed assets

	Land and buildings HK$ millions	Telecommunications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2005	31,294	90,829	81,304	203,427
Additions	1,318	5,014	18,526	24,858
Disposals	(106)	(707)	(2,092)	(2,905)
Relating to subsidiaries acquired	560	5,720	5,805	12,085
Relating to subsidiaries disposed of	(166)	(34,612)	(7,968)	(42,746)
Revaluation upon transfer to investment properties	5	–	–	5
Transfer from (to) other assets	25	(180)	88	(67)
Transfer between categories/investment properties /leasehold land	(677)	13,135	(13,257)	(799)
Exchange translation differences	(1,077)	(8,099)	(6,708)	(15,884)
At 1 January 2006	**31,176**	**71,100**	**75,698**	**177,974**
Additions	**3,570**	**687**	**18,152**	**22,409**
Disposals	**(1,167)**	**(1,066)**	**(2,263)**	**(4,496)**
Relating to subsidiaries acquired	**149**	**–**	**2,001**	**2,150**
Relating to subsidiaries disposed of	**(483)**	**–**	**(285)**	**(768)**
Revaluation upon transfer to investment properties	**44**	**–**	**–**	**44**
Transfer from (to) other assets	**5**	**(217)**	**(1,341)**	**(1,553)**
Transfer between categories/investment properties /leasehold land	**(174)**	**10,003**	**(9,794)**	**35**
Exchange translation differences	**1,171**	**8,723**	**6,524**	**16,418**
At 31 December 2006	**34,291**	**89,230**	**88,692**	**212,213**

13 Fixed assets (continued)

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Accumulated depreciation and impairment				
At 1 January 2005	6,229	15,879	33,716	55,824
Charge for the year	751	8,259	7,047	16,057
Impairment recognised	282	57	589	928
Impairment reversed	–	–	(25)	(25)
Disposals	(61)	(682)	(1,606)	(2,349)
Relating to subsidiaries acquired	43	2,120	2,510	4,673
Relating to subsidiaries disposed of	(44)	(12,591)	(3,985)	(16,620)
Transfer from (to) other assets	(5)	(148)	9	(144)
Transfer between categories/investment properties /leasehold land	38	(898)	851	(9)
Exchange translation differences	(338)	(1,163)	(3,103)	(4,604)
At 1 January 2006	**6,895**	**10,833**	**36,003**	**53,731**
Charge for the year	**951**	**7,226**	**5,706**	**13,883**
Impairment recognised	**–**	**25**	**6**	**31**
Impairment reversed	**–**	**–**	**(2)**	**(2)**
Disposals	**(228)**	**(465)**	**(1,854)**	**(2,547)**
Relating to subsidiaries acquired	**93**	**–**	**737**	**830**
Relating to subsidiaries disposed of	**(10)**	**–**	**(85)**	**(95)**
Transfer from (to) other assets	**–**	**(109)**	**188**	**79**
Transfer between categories/investment properties /leasehold land	**104**	**(607)**	**623**	**120**
Exchange translation differences	**264**	**1,604**	**4,134**	**6,002**
At 31 December 2006	**8,069**	**18,507**	**45,456**	**72,032**
Net book value				
At 31 December 2006	**26,222**	**70,723**	**43,236**	**140,181**
At 31 December 2005	24,281	60,267	39,695	124,243

Land and buildings include projects under development in the amount of HK$1,567 million (2005 – HK$1,339 million).

Cost and net book value of fixed assets include HK$118,665 million (2005 – HK$98,810 million) and HK$85,943 million (2005 – HK$78,808 million) respectively, relating to 3G businesses. Impairment tests were undertaken at 31 December 2006 and 31 December 2005 to assess whether the carrying value of the Group's 3G 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 businesses. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

14 Investment properties

	2006 HK$ millions	2005 HK$ millions
Valuation		
At 1 January	**38,557**	31,741
Additions	**45**	30
Disposals	**–**	(94)
Relating to subsidiaries acquired	**23**	2,574
Relating to subsidiaries disposed of	**–**	(23)
Change in fair value of investment properties	**2,843**	3,685
Transfer from fixed assets and leasehold land	**59**	634
Exchange translation differences	**130**	10
At 31 December	**41,657**	38,557

Investment properties have been fair valued as at 31 December 2006 and 31 December 2005 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2006 HK$ millions	2005 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**15,918**	14,983
Medium leasehold (less than 50 years but not less than 10 years)	**22,097**	20,167
Outside Hong Kong		
Freehold	**210**	212
Medium leasehold	**3,432**	3,195
	41,657	38,557

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

	2006 HK$ millions	2005 HK$ millions
Within 1 year	**1,991**	1,679
After 1 year, but within 5 years	**2,252**	2,618
After 5 years	**515**	235

15 Leasehold land

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	**32,374**	31,037
Additions	**1,454**	2,118
Disposals	**(25)**	–
Relating to subsidiaries acquired	**2,164**	37
Relating to subsidiaries disposed of	**(48)**	(16)
Revaluation upon transfer to investment properties	**–**	183
Depreciation for the year	**(956)**	(982)
Impairment recognised	**–**	(21)
Transfer to investment properties	**–**	(505)
Transfer from fixed assets	**26**	661
Exchange translation differences	**304**	(138)
At 31 December	**35,293**	32,374

The Group's leasehold land comprises:

	2006 HK$ millions	2005 HK$ millions
Hong Kong		
Long leasehold	**1,581**	1,600
Medium leasehold	**13,643**	14,024
Outside Hong Kong		
Long leasehold	**1,162**	1,076
Medium leasehold	**18,794**	15,614
Short leasehold (less than 10 years)	**113**	60
	35,293	32,374

16 Telecommunications licences

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	**84,624**	102,907
Additions	**–**	221
Relating to subsidiaries acquired	**–**	2,402
Relating to subsidiaries disposed of	**–**	(4,682)
Amortisation for the year	**(5,766)**	(5,989)
Exchange translation differences	**10,219**	(10,235)
At 31 December	**89,077**	84,624
Cost	**109,768**	97,608
Accumulated amortisation	**(20,691)**	(12,984)
	89,077	84,624

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2006 and 31 December 2005 to assess whether the carrying values of the Group's 3G 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. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated that no impairment charge was necessary.

17 Telecommunications postpaid customer acquisition costs

	2006 HK$ millions	2005 HK$ millions
Net book value		
At 1 January	**6,172**	6,823
Additions	**15,223**	12,632
Relating to subsidiaries disposed of	**–**	(261)
Amortisation and write off for the year	**(11,721)**	(12,013)
Exchange translation differences	**858**	(1,009)
At 31 December	**10,532**	6,172
Cost	**25,155**	21,260
Accumulated amortisation	**(14,623)**	(15,088)
	10,532	6,172

18 Goodwill

	2006 HK$ millions	2005 HK$ millions
Cost		
At 1 January	**17,959**	10,577
Relating to subsidiaries acquired	**1,800**	10,425
Relating to increase in interests in subsidiaries	**–**	4,814
Relating to subsidiaries disposed of	**–**	(5,838)
Relating to partial disposal of subsidiaries	**–**	(169)
Exchange translation differences	**2,081**	(1,850)
At 31 December	**21,840**	17,959

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2005 - €645 million), Kruidvat of €600 million (2005 - €600 million), Merchant Retail Group of £140 million (2005 - £140 million) and Superdrug of £78 million (2005 - £78 million) and increased shareholdings in **3** Italia of €229 million (2005 - €229 million).

In accordance with the Group's accounting policy on asset impairment (See note 1(x)), the carrying values of goodwill were tested for impairment as at 31 December 2006 and 31 December 2005. Note 3(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2006 and 31 December 2005 indicated no impairment charge was necessary.

19 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2006	**1,625**	**1,954**	**3,579**
Additions	**–**	**1,863**	**1,863**
Relating to subsidiaries acquired	**18**	**907**	**925**
Transfer from fixed assets	**–**	**1,726**	**1,726**
Amortisation for the year	**–**	**(765)**	**(765)**
Write off for the year	**–**	**(27)**	**(27)**
Exchange translation differences	**192**	**89**	**281**
At 31 December 2006	**1,835**	**5,747**	**7,582**
Cost	**1,835**	**7,787**	**9,622**
Accumulated amortisation	**–**	**(2,040)**	**(2,040)**
	1,835	**5,747**	**7,582**

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2005	–	1,559	1,559
Additions	–	796	796
Relating to subsidiaries acquired	2,497	3,362	5,859
Relating to subsidiaries disposed of	(651)	(2,894)	(3,545)
Amortisation for the year	(30)	(656)	(686)
Exchange translation differences	(191)	(213)	(404)
At 31 December 2005	1,625	1,954	3,579
Cost	1,625	2,995	4,620
Accumulated amortisation	–	(1,041)	(1,041)
	1,625	1,954	3,579

The brand names as at 31 December 2006 primarily resulted from the acquisitions of Marionnaud and Merchant Retail Group 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 carrying 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 2006 and the results of the tests indicated no impairment charge was necessary as at 31 December 2006.

Other rights, which include operating and service content rights, are amortised over their finite useful lives.

20 Associated companies

	2006 **HK$ millions**	2005 HK$ millions
Unlisted shares	**8,095**	7,481
Listed shares, Hong Kong	**20,804**	20,806
Listed shares, outside Hong Kong	**10,341**	10,341
Share of undistributed post acquisition reserves	**26,948**	17,561
	66,188	56,189
Amounts due from associated companies	**8,766**	9,145
	74,954	65,334

The market value of the above listed investments at 31 December 2006 was HK$156,308 million (2005 – HK$117,222 million).

Particulars regarding the principal associated companies are set forth on page 186 to 191.

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

	2006 **HK$ millions**	2005 HK$ millions
Revenues	**154,987**	124,717
Profit after tax	**31,587**	24,666
Non-current assets	**340,867**	301,297
Current assets	**58,105**	43,401
Total assets	**398,972**	344,698
Non-current liabilities	**180,607**	165,020
Current liabilities	**66,679**	50,233
Total liabilities	**247,286**	215,253

20 Associated companies (continued)

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

	2006 HK$ millions	2005 HK$ millions
Revenues	**59,037**	37,957
Expenses	**(32,873)**	(20,339)
EBITDA [(a)]	**26,164**	17,618
Depreciation and amortisation	**(8,441)**	(5,516)
Change in fair value of investment properties	**760**	177
EBIT [(b)]	**18,483**	12,279
Interest and other finance costs	**(3,164)**	(2,333)
Current tax	**(2,629)**	(1,111)
Deferred tax	**(454)**	(746)
Minority interests	**(764)**	(22)
Profit after tax	**11,472**	8,067

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

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

21 Interests in joint ventures

	2006 HK$ millions	2005 HK$ millions
Jointly controlled entities		
Unlisted shares	**22,514**	18,293
Share of undistributed post acquisition reserves	**(1,185)**	(2,797)
	21,329	15,496
Amounts due from jointly controlled entities	**17,178**	21,788
	38,507	37,284

There are no material contingent liabilities relating to the Group's interest in the joint ventures, save as for those disclosed in note 38.

Particulars regarding the principal jointly controlled entities are set forth on pages 186 to 191.

21 Interests in joint ventures (continued)

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

	2006 HK$ millions	2005 HK$ millions
Revenues	**54,533**	46,829
Profit after tax	**7,223**	9,248
Non-current assets	**105,045**	105,150
Current assets	**42,099**	39,503
Total assets	**147,144**	144,653
Non-current liabilities	**78,403**	81,065
Current liabilities	**34,370**	36,898
Total liabilities	**112,773**	117,963

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

	2006 HK$ millions	2005 HK$ millions
Revenues	**24,815**	21,321
Expenses	**(19,366)**	(16,041)
EBITDA [a]	**5,449**	5,280
Depreciation and amortisation	**(901)**	(1,262)
Change in fair value of investment properties	**199**	1,363
EBIT [b]	**4,747**	5,381
Interest and other finance costs	**(581)**	(418)
Current tax	**(644)**	(497)
Deferred tax	**(447)**	(539)
Profit after tax	**3,075**	3,927
Capital commitments	**835**	1,088

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

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

22 Deferred tax

	2006 HK$ millions	2005 HK$ millions
Deferred tax assets	**17,159**	15,635
Deferred tax liabilities	**15,019**	13,750
Net deferred tax assets	**2,140**	1,885

Movements in net deferred tax assets are as follows:

	2006 HK$ millions	2005 HK$ millions
At 1 January	**1,885**	617
Relating to subsidiaries acquired	**(163)**	(1,484)
Relating to subsidiaries disposed of	**2**	45
Transfer from (to) current tax	**67**	(745)
Net credit (charge) to reserves	**(144)**	62
Net credit (charge) for the year		
Unused tax losses	**(66)**	6,062
Accelerated depreciation allowances	**(222)**	(591)
Fair value adjustments arising from acquisitions	**183**	396
Revaluation of investment properties and other investments	**(473)**	(627)
Withholding tax on unremitted earnings	**(799)**	(471)
Other temporary differences	**(40)**	(231)
Exchange translation differences	**1,910**	(1,148)
At 31 December	**2,140**	1,885

Analysis of net deferred tax assets:

	2006 HK$ millions	2005 HK$ millions
Unused tax losses	**17,697**	15,783
Accelerated depreciation allowances	**(2,366)**	(1,998)
Fair value adjustments arising from acquisitions	**(5,871)**	(5,938)
Revaluation of investment properties and other investments	**(4,849)**	(4,311)
Withholding tax on unremitted earnings	**(2,221)**	(1,451)
Other temporary differences	**(250)**	(200)
	2,140	1,885

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 balance sheet are determined after appropriate offset.

At 31 December 2006, the Group has recognised deferred tax assets amounting to HK$17,159 million (2005 – HK$15,635 million) of which HK$16,680 million (2005 – HK$14,895 million) relates to the Group's 3G businesses.

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.

22 Deferred tax (continued)

The potential net deferred tax asset mainly arising from unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK$35,576 million at 31 December 2006 (2005 – HK$22,883 million).

The unrecognised tax losses carried forward amounted to HK$136,837 million at 31 December 2006 (2005 – HK$91,196 million), out of which HK$118,032 million (2005 – HK$74,822 million) is attributable to the start up 3G businesses. Unrecognised tax losses of HK$70,064 million (2005 – HK$42,953 million) can be carried forward indefinitely. The remaining HK$66,773 million (2005 – HK$48,243 million) expires in the following years:

	2006 **HK$ millions**	2005 HK$ millions
In the first year	**6,473**	157
In the second year	**13,322**	5,985
In the third year	**20,156**	11,950
In the fourth year	**18,818**	17,843
In the fifth to tenth years inclusive	**8,004**	12,308
	66,773	48,243

23 Other non-current assets

	2006 **HK$ millions**	2005 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**2,250**	2,197
Infrastructure project investments	**699**	754
	2,949	2,951
Available-for-sale investments		
Unlisted equity securities	**775**	1,383
Cash flow hedges		
Interest rate swaps	**38**	–
Forward foreign exchange contracts	**–**	92
	3,762	4,426

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 2006 is 6.6% (2005 – 5.2%).

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.

24 Liquid funds and other listed investments

	2006 HK$ millions	2005 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**43,773**	42,153
Listed debt securities	**5,324**	5,067
Listed equity securities, Hong Kong	**8,109**	5,260
Listed equity securities, outside Hong Kong	**4,216**	3,345
	61,422	55,825
Loans and receivables		
Long-term deposits	**3,771**	3,733
Financial assets at fair value through profit or loss	**1,058**	1,111
	66,251	60,669

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

	2006 HK$ millions	2005 HK$ millions
Listed debt securities	**42,803**	40,696
Cash and cash equivalents	**970**	1,457
	43,773	42,153

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 2006 was HK$62,480 million (2005 – HK$56,936 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 2006 was 5.7% (2005 – 4.9%).

24 Liquid funds and other listed investments (continued)

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

	2006			2005		
	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
HK dollars	13%	–	–	10%	–	–
US dollars	72%	97%	73%	78%	98%	–
Euro	8%	–	–	8%	–	–
Others	7%	3%	27%	4%	2%	100%
	100%	100%	100%	100%	100%	100%

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

	2006	2005
	Percentage	Percentage
Credit ratings		
Aaa/AAA	83%	83%
Aa1/AA+	4%	4%
Aa2/AA	4%	5%
Aa3/AA-	7%	7%
A1/A+	1%	–
A3/A-	1%	1%
	100%	100%
Sectorial		
US Treasury notes	47%	48%
Government issued guaranteed notes	22%	23%
Supranational notes	17%	15%
Others	14%	14%
	100%	100%
Weighted average maturity	2.1 years	3.1 years
Weighted average effective interest rate, inclusive of the effects of hedging transactions	3.14%	3.03%

25 Cash and cash equivalents

	2006 HK$ millions	2005 HK$ millions
Cash at bank and in hand	**10,889**	15,706
Short term bank deposits	**53,262**	34,011
	64,151	49,717

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

26 Trade and other receivables

	2006 HK$ millions	2005 HK$ millions
Trade receivables	**20,178**	14,818
Other receivables and prepayments	**24,010**	21,336
	44,188	36,154

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.

At 31 December, the ageing analysis of the trade receivables is as follows:

	2006 HK$ millions	2005 HK$ millions
Less than 31 days	**12,024**	10,338
Within 31 to 60 days	**2,533**	1,840
Within 61 to 90 days	**980**	678
Over 90 days	**4,641**	1,962
	20,178	14,818

The Group's 5 largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2006 and 2005.

27 Trade and other payables

	2006 HK$ millions	2005 HK$ millions
Trade payables	**21,023**	17,141
Other payables and accruals	**41,652**	33,586
Provisions (See note 28)	**1,351**	1,868
Interest free loans from minority shareholders	**2,318**	3,159
Fair value hedges		
Interest rate swaps	**61**	–
Cash flow hedges		
Cross currency interest rate swap	**–**	231
Forward foreign exchange contracts	**82**	32
	66,487	56,017

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

	2006 HK$ millions	2005 HK$ millions
Less than 31 days	**12,557**	11,009
Within 31 to 60 days	**3,980**	2,550
Within 61 to 90 days	**1,966**	3,033
Over 90 days	**2,520**	549
	21,023	17,141

The Group's 5 largest suppliers accounted for less than 20% of the Group's cost of purchases for the year ended 31 December 2006 (2005 – less than 15%).

28 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2006	**1,172**	**529**	**696**	**2,397**
Additions	**462**	**166**	**166**	**794**
Interest accretion	**–**	**24**	**–**	**24**
Utilisations	**(405)**	**(2)**	**(432)**	**(839)**
Write back	**(384)**	**–**	**–**	**(384)**
Disposal	**–**	**(94)**	**–**	**(94)**
Relating to subsidiaries acquired	**–**	**10**	**–**	**10**
Exchange translation differences	**65**	**(18)**	**11**	**58**
At 31 December 2006	**910**	**615**	**441**	**1,966**

Provisions analysed as:

	2006 HK$ millions	2005 HK$ millions
Current portion (See note 27)	**1,351**	1,868
Long-term portion (See note 32)	**615**	529
	1,966	2,397

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.

29 Bank and other debts

	2006 HK$ millions	2005 HK$ millions
Bank loans		
Repayable within 5 years	**130,172**	89,003
Not wholly repayable within 5 years	**826**	33,578
	130,998	122,581
Other loans		
Repayable within 5 years	**10,185**	289
Not wholly repayable within 5 years	**109**	7,818
	10,294	8,107
Notes and bonds		
US$750 million notes-Series A, 6.95% due 2007	**5,789**	5,736
US$500 million notes-Series B, 7.45% due 2017	**3,700**	3,715
US$500 million notes-Series C, 7.5% due 2027	**3,700**	3,715
US$250 million notes-Series D, 6.988% due 2037	**1,924**	1,921
US$175 million notes, LIBOR + 0.45% due 2008	**1,362**	1,361
US$1,500 million notes, 7% due 2011	**11,316**	11,308
US$3,500 million notes, 6.5% due 2013	**25,996**	26,187
US$1,500 million notes, 5.45% due 2010	**11,276**	11,296
US$2,000 million notes, 6.25% due 2014	**15,024**	15,201
US$1,500 million notes, 7.45% due 2033	**11,218**	11,342
EUR500 million bonds, 5.5% due 2006	**–**	4,614
EUR96 million bonds, 2.5% due 2008	**989**	854
EUR1,000 million notes, 5.875% due 2013	**10,200**	9,140
EUR655 million notes, 4.125% due 2015	**6,680**	9,142
EUR1,000 million notes, 4.625% due 2016	**10,199**	–
GBP325 million bonds, 6.75% due 2015	**4,921**	4,340
GBP300 million bonds, 5.625% due 2017	**4,543**	–
GBP400 million bonds, 5.625% due 2026	**6,047**	–
AUD425 million notes, 6.5% due 2006	**–**	2,404
AUD800 million notes, BBSW + 0.65% due 2008	**4,893**	4,523
JPY30,000 million notes, 3.5% due 2032	**1,971**	1,995
	141,748	128,794
	283,040	259,482

Borrowings analysed as:

	2006 HK$ millions	2005 HK$ millions
Current portion	**22,070**	26,028
Long-term portion	**260,970**	233,454
	283,040	259,482

29 Bank and other debts (continued)

Borrowings are repayable as follows:

	2006 HK$ millions	2005 HK$ millions
Bank loans		
Current portion	**16,145**	18,828
After 1 year, but within 2 years	**19,464**	7,544
After 2 years, but within 5 years	**94,608**	81,456
After 5 years	**781**	14,753
Other loans		
Current portion	**136**	182
After 1 year, but within 2 years	**885**	103
After 2 years, but within 5 years	**9,166**	5,250
After 5 years	**107**	2,572
Notes and bonds		
Current portion	**5,789**	7,018
After 1 year, but within 2 years	**7,244**	5,736
After 2 years, but within 5 years	**22,592**	18,034
After 5 years	**106,123**	98,006
	283,040	259,482

The bank and other loans of the Group are secured to the extent of HK$30,385 million (2005 – HK$36,967 million) of which HK$15,646 million (2005 – HK$15,653 million) and HK$13,657 million (2005 – HK$20,047 million) are non-guaranteed and guaranteed loans respectively for 3G businesses.

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

Borrowings amounting to HK$146,340 million (2005 – HK$135,659 million) bear interest at floating interest rates and borrowings amounting to HK$136,700 million (2005 – HK$123,823 million) bear interest at fixed interest rates.

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 2006, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$89,700 million (2005 – HK$96,706 million).

In addition, interest rate swap agreements with notional amount of HK$8,650 million (2005 – HK$7,838 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. The agreements have fixed interest payments ranging from 3.7% to 6.8% and were entered for a period ranging from 4 to 5 years.

As at 31 December 2006, the Group had entered into currency swap arrangements with banks to swap US dollar borrowings principal amount of HK$1,365 million (2005 – HK$1,365 million) to non-US dollar borrowings to match currency exposure of the underlying businesses.

29 Bank and other debts (continued)

The following table sets out the effective interest rates of the borrowings at the balance sheet date and the periods in which they reprice or mature, whichever is earlier (inclusive of the effects of hedging transactions):

	Weighted average effective interest rate	Less than 1 month	Within 1 to 12 months	Within 1 to 5 years	Over 5 years	Total
	%	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
2006						
Bank loans	**4.9%**	**47,057**	**79,551**	**864**	**3,526**	**130,998**
Other loans	**6.1%**	**5,233**	**4,489**	**552**	**20**	**10,294**
Notes and bonds	**7.1%**	**–**	**85,744**	**2,120**	**53,884**	**141,748**
		52,290	**169,784**	**3,536**	**57,430**	**283,040**
2005						
Bank loans	4.1%	38,162	80,917	97	3,405	122,581
Other loans	6.3%	–	7,504	87	516	8,107
Notes and bonds	6.3%	15,201	84,276	2,750	26,567	128,794
		53,363	172,697	2,934	30,488	259,482

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

	Carrying amounts		Fair values	
	2006	2005	**2006**	2005
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**130,998**	122,581	**131,003**	122,538
Other loans	**10,294**	8,107	**10,449**	8,092
Notes and bonds	**141,748**	128,794	**151,891**	140,837
	283,040	259,482	**293,343**	271,467

The fair values of the long-term 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 long-term borrowings approximate their fair value.

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

	2006	2005
	Percentage	Percentage
HK dollars	**14%**	16%
US dollars	**33%**	35%
Euro	**31%**	32%
British Pounds	**8%**	3%
Other currencies	**14%**	14%
	100%	100%

30 Interest bearing loans from minority shareholders

	2006 HK$ millions	2005 HK$ millions
Interest bearing loans from minority shareholders	**12,030**	5,429

The following table sets out the effective interest rates of the interest bearing loans from minority shareholders at the balance sheet date and the periods in which they reprice or mature, whichever is earlier:

	Weighted average effective interest rate %	Less than 1 month HK$ millions	Within 1 to 12 months HK$ millions	Within 1 to 5 years HK$ millions	Over 5 years HK$ millions	Total HK$ millions
2006	**6.40%**	**28**	**7,351**	**4,155**	**496**	**12,030**
2005	5.30%	–	4,849	–	580	5,429

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

	Carrying amounts		Fair values	
	2006 HK$ millions	2005 HK$ millions	2006 HK$ millions	2005 HK$ millions
Interest bearing loans from minority shareholders	**12,030**	5,429	**12,030**	5,429

31 Pension obligations

	2006 HK$ millions	2005 HK$ millions
Defined benefit plans		
Plan obligations	**2,378**	2,323

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 Watson Wyatt, qualified actuaries as at 31 December 2006 and 31 December 2005 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:

	2006	2005
Discount rate applied to defined benefit plan obligations	**3.75% - 5.00%**	4.00% - 9.00%
Expected return on plan assets	**3.40% - 8.00%**	4.00% - 9.00%
Future salary increases	**2.00% - 4.00%**	2.00% - 5.00%
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 balance sheet is determined as follows:

	2006 HK$ millions	2005 HK$ millions
Present value of defined benefit obligations	**12,659**	10,545
Fair value of plan assets	**10,228**	8,222
	2,431	2,323
Unrecognised past services costs	**(53)**	–
Net defined benefit plan obligations	**2,378**	2,323

Fair value of plan assets of HK$10,228 million (2005 – HK$8,222 million) includes investments in the Company's shares with a fair value of HK$51 million (2005 – HK$51 million).

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

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

	2006 HK$ millions	2005 HK$ millions
At 1 January	**10,545**	10,401
Current service cost net of employee contributions	**640**	571
Actual employee contributions	**118**	112
Interest cost	**516**	464
Past service cost	**–**	29
Actuarial loss on obligation	**18**	590
Gains on curtailments	**(20)**	(48)
Relating to subsidiaries acquired	**–**	211
Relating to subsidiaries disposed of	**–**	(206)
Benefits paid on settlements	**–**	(120)
Actual benefits paid	**(498)**	(418)
Exchange differences	**1,340**	(1,041)
At 31 December	**12,659**	10,545

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

	2006 HK$ millions	2005 HK$ millions
At 1 January	**8,222**	7,977
Expected return on plan assets	**571**	522
Actuarial gains on plan assets	**463**	463
Actual company contributions	**566**	509
Actual employee contributions	**118**	112
Relating to subsidiaries acquired	**–**	135
Relating to subsidiaries disposed of	**–**	(194)
Assets distributed on settlements	**–**	(120)
Actual benefits paid	**(498)**	(418)
Exchange differences	**786**	(764)
At 31 December	**10,228**	8,222

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated profit and loss account is as follows:

	2006 HK$ millions	2005 HK$ millions
Current service cost	**640**	571
Past service cost	**(53)**	29
Interest cost	**516**	464
Gains on curtailment	**(20)**	(48)
Expected return on plan assets	**(571)**	(522)
Total expense	**512**	494
Less: expense capitalised	**(3)**	(15)
Total, included in staff costs	**509**	479

The actuarial gains recognised in the statement of recognised income and expense in current year was HK$445 million (2005 – loss of HK$127 million). The cumulative actuarial losses recognised in the statement of recognised income and expense amounted to HK$908 million (2005 – HK$1,393 million).

Fair value of the plan assets are analysed as follows:

	2006 Percentage	2005 Percentage
Equity instruments	**57%**	63%
Debt instruments	**38%**	33%
Other assets	**5%**	4%
	100%	100%

The experience adjustments are as follows:

	2006 HK$ millions	2005 HK$ millions	2004 HK$ millions
Present value of defined benefit obligations	**12,659**	10,545	10,401
Fair value of plan assets	**10,228**	8,222	7,977
Deficit	**2,431**	2,323	2,424
Experience adjustments on defined benefit obligations	**(18)**	(308)	(69)
Experience adjustments on plan assets	**561**	429	51

31 Pension obligations (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 2006. 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 30 June 2006 reported a funding level of 108% of the accrued actuarial liabilities on an ongoing basis. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 30 June 2009 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2006 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$31 million (2005 – HK$40 million) were used to reduce the current year's level of contributions and HK$4 million was available at 31 December 2006 (2005 – HK$3 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2004, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. The sponsoring employer's contributions have been increased from August 2004 to finance the increased cost of accrual of benefits and to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.5% per annum, pensionable salary increases of 3.0% per annum and pension increases of 2.75% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt LLP.

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.

The Group's defined benefit pension plan for part of its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The first formal valuation for funding purposes was carried out at 31 March 2003. 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's contributions have been increased from April 2003 to fund the deficit over a period of 12 years. The main assumptions in the valuation are an investment return of 5.5% to 6.5% per annum and pensionable salary increases of 4% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited.

31 Pension obligations (continued)

(a) Defined benefit plans (continued)

The Group's defined benefit retirement plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2005. The plan is final salary in nature with a money purchase underpin arrangement. The scheme is not open to new entrants since 1 April 2001. The latest formal valuation of the scheme was undertaken at 31 December 2005 by Ian W H Pope, a Fellow of the Faculty of Actuaries, of Kerr & Co. using the projected unit method. The principal long-term assumptions were that the annual rate of return on investments would exceed the annual increase in earnings by 1.3% and the annual increase in pension would be 3%.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$529 million (2005 – HK$683 million). Forfeited contributions totalling HK$6 million (2005 – HK$7 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2006 (2005 – nil) to reduce future years' contributions.

32 Other non-current liabilities

	2006 **HK$ millions**	2005 HK$ millions
Fair value hedges		
Interest rate swaps	**3,257**	2,801
Cash flow hedges		
Interest rate swaps	**–**	10
Cross currency interest rate swap	**200**	–
Forward foreign exchange contracts	**178**	–
Obligations for telecommunications licences and other rights	**2,118**	1,014
Provisions (See note 28)	**615**	529
	6,368	4,354

33 Share capital

	2006 **Number of shares**	2005 Number of shares	**2006** **HK$ millions**	2005 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7-1/2% 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

34 Equity

	Share capital HK$ millions	Share premium[(a)] HK$ millions	Exchange reserve HK$ millions	Other reserves[(b)] HK$ millions	Retained profit HK$ millions	Total shareholders' funds HK$ millions	Minority interests HK$ millions	Total equity HK$ millions
At 1 January 2006	1,066	28,359	7,118	1,405	205,606	243,554	10,075	253,629
Fair value changes in available-for-sale investments	–	–	–	3,304	–	3,304	105	3,409
Fair value adjustment upon transfer from other properties to investment properties	–	–	–	37	–	37	7	44
Valuation released upon disposal of available-for-sale investments	–	–	–	(671)	–	(671)	6	(665)
Loss on cash flow hedges	–	–	–	(123)	–	(123)	(26)	(149)
Exchange translation differences	–	–	15,416	–	–	15,416	278	15,694
Actuarial gains and losses of defined benefit plans	–	–	–	–	606	606	30	636
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	(126)	(126)	–	(126)
Net income recognised directly in equity	–	–	15,416	2,547	480	18,443	400	18,843
Profit after tax	–	–	–	–	20,030	20,030	2,596	22,626
Total recognised income and expense	–	–	15,416	2,547	20,510	38,473	2,996	41,469
Dividends paid relating to 2005	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2006	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(3,359)	(3,359)
Equity contribution from minority interests	–	–	–	–	–	–	1,653	1,653
Capitalisation of loan from minority interests	–	–	–	–	–	–	1,126	1,126
Share option scheme	–	–	–	20	–	20	8	28
Share option lapsed	–	–	–	(6)	6	–	–	–
Share of associated company's partial redemption of convertible notes	–	–	–	(35)	12	(23)	–	(23)
Unclaimed dividends write back	–	–	–	–	35	35	–	35
Relating to subsidiary companies acquired	–	–	–	–	–	–	735	735
Relating to partial disposal of subsidiary companies	–	–	(733)	(124)	(33)	(890)	3,537	2,647
At 31 December 2006	1,066	28,359	21,801	3,807	218,761	273,794	16,771	290,565

34 Equity (continued)

	Share capital HK$ millions	Share premium[(a)] HK$ millions	Exchange reserve HK$ millions	Other reserves[(b)] HK$ millions	Retained profit HK$ millions	Total shareholders' funds HK$ millions	Minority interests HK$ millions	Total equity HK$ millions
At 1 January 2005	1,066	28,359	21,022	1,249	198,829	250,525	28,394	278,919
Fair value changes in available-for-sale investments	–	–	–	(116)	–	(116)	(1)	(117)
Fair value changes arising from business combination	–	–	–	786	–	786	447	1,233
Fair value adjustment upon transfer from other properties to investment properties	–	–	–	186	–	186	2	188
Deferred tax effect on fair value adjustment upon transfer from other properties to investment properties	–	–	–	(31)	–	(31)	–	(31)
Valuation released upon disposal of available-for-sale investments	–	–	–	(847)	–	(847)	2	(845)
Gain on cash flow hedges	–	–	–	305	–	305	52	357
Exchange translation differences	–	–	(13,904)	–	–	(13,904)	(1,511)	(15,415)
Actuarial gains and losses of defined benefit plans	–	–	–	–	(284)	(284)	1	(283)
Deferred tax effect on actuarial gains and losses of defined benefit plans	–	–	–	–	93	93	–	93
Net income (expense) recognised directly in equity	–	–	(13,904)	283	(191)	(13,812)	(1,008)	(14,820)
Profit (loss) after tax	–	–	–	–	14,343	14,343	(789)	13,554
Total recognised income and expense	–	–	(13,904)	283	14,152	531	(1,797)	(1,266)
Dividends paid relating to 2004	–	–	–	–	(5,201)	(5,201)	–	(5,201)
Dividends paid relating to 2005	–	–	–	–	(2,174)	(2,174)	–	(2,174)
Dividends paid to minority interests	–	–	–	–	–	–	(2,374)	(2,374)
Equity contribution from minority interests	–	–	–	–	–	–	749	749
Shares issued by a subsidiary to acquire minority interests	–	–	–	–	–	–	1,919	1,919
Capitalisation of loan from minority interests	–	–	–	–	–	–	1,138	1,138
Purchase of minority interests in subsidiary companies	–	–	–	–	–	–	(11,348)	(11,348)
Share option scheme	–	–	–	89	–	89	61	150
Relating to subsidiary companies acquired	–	–	–	–	–	–	2,436	2,436
Relating to disposal of subsidiary companies and associated companies	–	–	–	(216)	–	(216)	(9,103)	(9,319)
At 31 December 2005	1,066	28,359	7,118	1,405	205,606	243,554	10,075	253,629

(a) Capital redemption reserve of HK$404 million was included in share premium in all reporting years.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2006, revaluation reserve surplus amounted to HK$3,787 million (1 January 2006 – HK$1,291 million and 1 January 2005 – HK$1,534 million), hedging reserve deficit amounted to HK$163 million (1 January 2006 – HK$40 million and 1 January 2005 – HK$374 million) and other capital reserves surplus amounted to HK$183 million (1 January 2006 – HK$154 million and 1 January 2005 – HK$89 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cashflow hedges are included in the hedging reserve.

(c) The Group's share of exchange reserve of associated companies and jointly controlled entities are gains of HK$35 million (2005 – HK$252 million) and HK$588 million (2005 – HK$120 million) respectively. The Group's share of actuarial gains and losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to gains of HK$156 million (2005 – loss of HK$166 million) and HK$13 million (2005 – HK$10 million) respectively.

35 Notes to consolidated cash flow statement

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

	2006 HK$ millions	2005 HK$ millions
Profit after tax	**22,626**	13,554
Adjustments for:		
Current tax charge	**1,560**	2,511
Deferred tax charge (credit)	**1,417**	(4,538)
Interest and other finance costs	**16,601**	15,405
Change in fair value of investment properties	**(2,843)**	(3,685)
Depreciation and amortisation	**33,091**	35,727
Non-cash items included in profit on disposal of investments and others	**1,841**	(8,518)
Share of associated companies' and jointly controlled entities'		
Minority interests	**764**	22
Current tax charge	**3,273**	1,608
Deferred tax charge	**901**	1,285
Interest and other finance costs	**3,745**	2,751
Change in fair value of investment properties	**(959)**	(1,540)
Depreciation and amortisation	**9,342**	6,778
EBITDA[b]	**91,359**	61,360
Telecommunications expensed prepaid CACs	**5,494**	11,954
EBITDA before telecommunications expensed prepaid CACs	**96,853**	73,314
Share of EBITDA of associated companies and jointly controlled entities	**(31,613)**	(22,898)
Profit on disposal of unlisted investments	**(121)**	(11)
Profit on disposal of fixed assets, leasehold land and investment properties	**(605)**	(144)
Dividends received from associated companies and jointly controlled entities	**6,554**	4,705
Distribution from property jointly controlled entities	**1,875**	4,479
Decrease in properties under development	**–**	18
Profit on disposal of subsidiary and associated companies and jointly controlled entities	**(24,873)**	(17,182)
Other non-cash items	**1,026**	418
	49,096	42,699

a CACs represents customer acquisition costs.

b EBITDA, included as a subtotal as supplementary information, represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes changes in the fair value of investment properties. Information concerning EBITDA 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 to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles in Hong Kong.

35 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

	2006 HK$ millions	2005 HK$ millions
Decrease (increase) in inventories	**505**	(2,808)
Decrease (increase) in debtors and prepayments	**(5,944)**	722
Increase (decrease) in creditors	**6,148**	(1,879)
Other non-cash items	**311**	(3,443)
	1,020	(7,408)

(c) Purchase of subsidiary companies

	2006 Book value HK$ millions	2006 Fair value HK$ millions	2005 Fair value HK$ millions
Aggregate net assets acquired at acquisition date (excluding cash and cash equivalents):			
Fixed assets	**1,123**	**1,320**	7,412
Investment properties	**23**	**23**	2,574
Leasehold land	**46**	**2,164**	37
Telecommunications licences	**–**	**–**	2,402
Brand names and other rights	**223**	**925**	5,859
Associated companies	**29**	**31**	273
Liquid funds and other listed investments	**–**	**–**	1
Inventories	**352**	**364**	2,960
Trade and other receivables	**465**	**521**	5,112
Bank and other debts	**(1,350)**	**(1,356)**	(10,718)
Pension obligations	**–**	**–**	(76)
Creditors and current tax liabilities	**(1,073)**	**(1,091)**	(9,049)
Deferred tax	**(73)**	**(163)**	(1,484)
Loans from minority shareholders	**(45)**	**(45)**	(3)
Minority interests	**(730)**	**(735)**	(2,436)
	(1,010)	**1,958**	2,864
Goodwill arising on acquisition		**1,800**	10,425
		3,758	13,289
Less: Cost of investments just prior to purchase		**(119)**	(4,405)
Excess of the Group's interest in the net fair value over acquisition cost		**–**	(47)
		3,639	8,837
Discharged by:			
Cash payment		**4,413**	9,459
Less: Cash and cash equivalents purchased		**(654)**	(829)
Total net cash consideration		**3,759**	8,630
Deferred consideration		**(120)**	207
Total consideration		**3,639**	8,837

35 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

Included in the net assets acquired in 2006 above are acquisitions of the remaining 50% shareholding in Euromax, a joint venture which is adjacent to the Group's container terminal at Rotterdam and Servico Material Portuario, S.A., which operates a container terminal in Barcelona by its subsidiary, Terminal Catalunya S.A.. The contribution to the Group's revenue and profit after tax from each of these subsidiaries acquired since the respective date of acquisition is not material.

Included in the net assets acquired in 2005 above were acquisitions of Partner Communications Company Limited and Marionnaud.

(d) Disposal of subsidiary companies

	2006 HK$ millions	2005 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**673**	26,126
Investment properties	**–**	23
Leasehold land	**48**	16
Telecommunications licences	**–**	4,682
Telecommunications postpaid customer acquisition costs	**–**	261
Brand names and other rights	**–**	3,545
Associated companies	**–**	2
Liquid funds and other listed investments	**–**	416
Inventories	**31**	695
Trade and other receivables	**57**	11,702
Bank and other debts	**–**	(26,693)
Pension obligations	**–**	(12)
Creditors and current tax liabilities	**(58)**	(10,809)
Other non-current liabilities	**–**	(1,184)
Deferred tax	**(2)**	(45)
Loans from minority shareholders	**(2)**	(312)
Minority interests	**(320)**	(7,010)
Reserves	**(4)**	(55)
Goodwill	**–**	5,838
	423	7,186
Profit on disposal	**127**	7,390
	550	14,576
Less: Investments retained subsequent to disposal	**–**	(6,826)
	550	7,750
Satisfied by:		
Cash and cash equivalents received as consideration	**1,020**	10,192
Less: Cash and cash equivalents sold	**(470)**	(2,442)
Total net cash consideration	**550**	7,750

35 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies (continued)

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2006.

Included in the net assets disposed in 2005 above was the effect of a partial disposal of the Group's interest in HTIL that resulted in HTIL ceasing to be a subsidiary and becoming an associated company of the Group. On 21 December 2005, the Group disposed of a 19.3% interest in HTIL to an independent party and upon completion, the Group's interest in HTIL was reduced from 69.1% to 49.8%.

(e) Partial disposal of subsidiary companies

Proceeds on partial disposal of subsidiary companies in 2006 mainly represent sales proceeds of US$4,388 million arising from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments.

(f) Disposal of associated companies

Net proceeds from disposal of:

	2006 **HK$ millions**	2005 HK$ millions
ETSA Utilities and CHEDHA Holdings Pty Limited	–	12,013
Others	–	35
	–	12,048

The effect on the Group's results from the disposal of associated companies was immaterial for the year ended 31 December 2005.

36 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.

37 Pledge of assets

At 31 December 2006, the Group's shares in H3G S.p.A. and its respective assets were pledged as security for project financing facilities of **3** Italia S.p.A. and amounted to HK$81,007 million (2005 – HK$66,845 million) as at 31 December 2006. In January 2007, this project financing loan was repaid in full from the proceeds of a syndicated loan and subsequently the shares and assets are no longer pledged. In addition, HK$10,781 million (2005 – HK$8,554 million) of assets were pledged as security for bank and other loans of the Group. Included in the above amount of assets pledged, HK$31,729 million (2005 – HK$29,477 million) relates to the pledge of fixed assets and HK$3,087 million (2005 – HK$1,766 million) relates to the pledge of inventories.

38 Contingent liabilities

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

	2006 HK$ millions	2005 HK$ millions
To associated companies		
Telecommunications businesses	**8,141**	6,373
To jointly controlled entities		
Property businesses	**3,213**	5,232
Other businesses	**1,968**	3,520
	5,181	8,752

At 31 December 2006 the Group had provided performance and other guarantees of HK$5,681 million (2005 – HK$6,165 million) primarily for telecommunications businesses.

39 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2006 are as follows:

Capital commitments

1. Contracted for:
   - i. Container terminals, Hong Kong – nil (2005 – HK$349 million)
   - ii. Container terminals, Mainland China – HK$4,412 million (2005 – HK$6,614 million)
   - iii. Container terminals, others – HK$1,771 million (2005 – HK$2,707 million)
   - iv. Telecommunications, **3** Group – HK$4,984 million (2005 – HK$7,546 million)
   - v. Investment properties outside Hong Kong – nil (2005 – HK$20 million)
   - vi. Investment in Joint Venture outside Hong Kong – HK$13 million (2005 – HK$1,328 million)
   - vii. Other fixed assets – HK$43 million (2005 – HK$356 million)

2. Authorised but not contracted for:

   The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.
   - i. Container terminals, Hong Kong – HK$219 million (2005 – HK$2,154 million)
   - ii. Container terminals, Mainland China – HK$1,997 million (2005 – HK$6,454 million)
   - iii. Container terminals, others – HK$8,145 million (2005 – HK$17,623 million)
   - iv. Telecommunications, **3** Group – HK$10,609 million (2005 – HK$14,462 million)
   - v. Investment properties outside Hong Kong – HK$1,025 million (2005 – HK$1,288 million)
   - vi. Investment in Joint Venture outside Hong Kong – HK$278 million (2005 – HK$146 million)
   - vii. Other fixed assets – HK$2,852 million (2005 – HK$4,225 million)

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

Established Businesses

1. In the first year – HK$6,622 million (2005 – HK$6,172 million)
2. In the second to fifth years inclusive – HK$19,494 million (2005 – HK$16,154 million)
3. After the fifth year – HK$43,096 million (2005 – HK$31,485 million)

Telecommunications – **3** Group

1. In the first year – HK$2,008 million (2005 – HK$1,537 million)
2. In the second to fifth years inclusive – HK$5,805 million (2005 – HK$4,661 million)
3. After the fifth year – HK$11,086 million (2005 – HK$9,242 million)

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

Established Businesses

1. In the first year – HK$182 million (2005 – HK$341 million)
2. In the second to fifth years inclusive – HK$320 million (2005 – HK$557 million)
3. After the fifth year – HK$203 million (2005 – HK$266 million)

Telecommunications – **3** Group

1. In the first year – HK$33 million (2005 – HK$31 million)
2. In the second to fifth years inclusive – HK$91 million (2005 – HK$69 million)
3. After the fifth year – HK$101 million (2005 – HK$42 million)

Other commitments

3G handsets – HK$2,794 million (2005 – HK$23,485 million)

40 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 20 and 21 are unsecured. Balances totalling HK$2,145 million (2005 – HK$5,705 million) are interest bearing.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2006, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$21,674 million (2005 – HK$20,694 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$3,213 million (2005 – HK$5,232 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 9.

41 Legal proceedings

As at 31 December 2006, 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.

42 Subsequent events

Subsequent to the year end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India for a consideration of approximately US$11,080 million (approximately HK$86,570 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. The Group's share of HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK$36,500 million.

43 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 2006, 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 United States dollars at this or any other rate.

44 Approval of accounts

The accounts set out on page 115 to 191 were approved by the Board of Directors on 22 March 2007.

45 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:

	2006 **HK$ millions**	2005 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**9,004**	7,032
Unlisted	**2,468**	1,035
	11,472	8,067
Share of gross rental income of associated companies and jointly controlled entities	**591**	672
Gross rental income from investment properties held by:		
Listed subsidiary – Hutchison Harbour Ring Limited	**243**	64
Other subsidiaries (excluding Hutchison Harbour Ring Limited)	**2,216**	1,856
Less: intra group rental income	**(269)**	(246)
	2,190	1,674
Less: related outgoings	**(106)**	(67)
Net rental income of subsidiary companies	**2,084**	1,607
Dividend and interest income from managed funds and other investments		
Listed	**1,984**	2,141
Unlisted	**200**	166
Charges:		
Depreciation and amortisation		
Fixed assets	**13,883**	16,057
Telecommunications licences	**5,766**	5,989
Telecommunications postpaid customer acquisition costs	**11,721**	12,013
Leasehold land	**956**	982
Brand names and other rights	**765**	686
	33,091	35,727
Inventories write off	**1,596**	2,825
Operating leases		
Properties	**10,363**	9,796
Hire of plant and machinery	**288**	553
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**184**	176
– other auditors	**20**	45
Non-audit work – PricewaterhouseCoopers	**25**	22
– other auditors	**45**	57

46 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the balance sheet of the Company as at 31 December 2006 is set out as follows:

	2006 **HK$ millions**	2005 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	**18,668**	728
Current assets		
Cash at bank	**5**	–
Amounts due from subsidiary companies	**62,390**	57,647
Dividends and other receivables from subsidiary companies	**7,500**	30,027
	69,895	87,674
Current liabilities		
Bank overdrafts	**–**	2
Other payables and accruals	**137**	106
	137	108
Net current assets	**69,758**	87,566
Net assets	**88,426**	88,294
Capital and reserves		
Share capital (See note 33)	**1,066**	1,066
Reserves [(b)]	**87,360**	87,228
Shareholders' funds	**88,426**	88,294

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

46 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on page 186 to 191.

(b) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2005	28,359	36,357	64,716
Profit for the year	–	29,887	29,887
Dividends paid relating to 2004	–	(5,201)	(5,201)
Dividends paid relating to 2005	–	(2,174)	(2,174)
At 31 December 2005	**28,359**	**58,869**	**87,228**
Profit for the year	**–**	**7,472**	**7,472**
Unclaimed dividend write back	**–**	**35**	**35**
Dividends paid relating to 2005	**–**	**(5,201)**	**(5,201)**
Dividends paid relating to 2006	**–**	**(2,174)**	**(2,174)**
At 31 December 2006	**28,359**	**59,001**	**87,360**

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

(d) 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 balance sheet of the Group. Of the consolidated borrowings included in note 29 totalling HK$283,040 million (2005 – HK$259,482 million), the Company has guaranteed a total of HK$230,229 million (2005 – HK$215,761 million) which has been borrowed in the name of subsidiary companies.

(e) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and jointly controlled entities totalling HK$8,718 million (2005 – HK$9,682 million). This amount has been included in the Group's contingent liabilities disclosed in note 38.

(f) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$7,472 million (2005 – HK$29,887 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.

(g) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2006 amounting to HK$59,001 million (2005 – HK$58,869 million).