

## 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 2007 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 2007 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.

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

## 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 $\frac{1}{3}$ - 33 $\frac{1}{3}$ %
Container terminal equipment	5 - 20%
Telecommunications equipment	2.5 - 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.

With effect from 1 January 2007, the Group revised the estimated useful lives of certain telecommunications cell site civil works from 20 years to 40 years.

The effect of the change in the estimated useful lives has been recognised prospectively. If the Group had continued with the useful lives as estimated during the previous year, the depreciation charged to profit or loss of the current year would have been higher by approximately HK\$500 million with a corresponding decrease in the carrying value of fixed assets. It is expected that this change in estimate will have a similar effect in future periods.

### (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.

## 1 Significant accounting policies *(continued)*

### (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 contracted or expected licence periods ranging from approximately 11 to 35 years and are stated net of accumulated amortisation.

The Group obtained its 3G licence in Italy in 2001 with an initial licence period of 15 years, which was subsequently extended to 20 years in 2003 at no additional costs. In 2007, the Italian Ministry of Telecommunications announced that 3G licences can be further extended for another 15 years to 35 years on the submission of a valid application. The Group has submitted an application to extend the licence period of its 3G licence in Italy from 20 years to 35 years. The effect of the expected extension of the Group's 3G licence in Italy has been recognised prospectively with effect from 1 January 2007, resulting in a reduction in the amortisation expense charged to the current year's profit or loss by approximately HK\$1 billion with a corresponding increase in the carrying value of telecommunication licences. It is expected that this change in estimate will have a similar effect in future periods.

### (i) Telecommunications customer acquisition and retention costs

Net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers, pursuant to contracts with early termination penalty clauses ("Telecommunications postpaid or contract 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 and retention costs are written off in the period in which the customers churn. Telecommunications postpaid customer acquisition and retention costs are stated net of accumulated amortisation.

Net costs to acquire prepaid mobile telecommunications customers and net costs to acquire or retain contract customers pursuant to contracts without early termination penalty clauses are both expensed in the period incurred ("Telecommunications expensed CACs").

### (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.

## 1 Significant accounting policies *(continued)*

### (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 finite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years. Brand names and other rights are stated net of accumulated amortisation, if any.

### (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.

#### *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.

## 1 Significant accounting policies *(continued)*

### (n) Derivative financial instruments and hedging activities

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

### (q) Inventories

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

### (r) Cash and cash equivalents

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

## 1 Significant accounting policies *(continued)*

### (s) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the 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. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to 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.

### (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.

## 1 Significant accounting policies *(continued)*

### (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 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs - Removal of option to expense all borrowing costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC) - INT 12	Service Concession Arrangements
HK(IFRIC) - INT 13	Customer Loyalty Programmes
HK(IFRIC) - INT 14	HKAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010.

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

## 2 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.

## 2 Critical accounting estimates and judgements *(continued)*

### (a) Long-lived assets *(continued)*

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 2007 and 31 December 2006 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 2007 and 31 December 2006 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.

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through network sharing, 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.

## 2 Critical accounting estimates and judgements (continued)

### (b) Depreciation and amortisation

#### *(i) Fixed assets*

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. As mentioned in note 1(e), based on the experience of the Group with telecommunications civil works, the Group revised the estimated useful lives of certain telecommunications civil works in the current year from 20 years to 40 years. This change in estimate resulted in savings in depreciation expense for the year of approximately HK\$500 million.

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. As mentioned in note 1(h), following a decree issued by the Italian Ministry of Telecommunications in 2007, the Group has applied to extend the licence period of another 15 years for its 3G licence in Italy from 20 years to 35 years, and has revised its estimated useful life accordingly. This change in estimate resulted in savings in 3G licence amortisation expense for the year of approximately HK\$1 billion.

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

#### *(iii) Telecommunications customer acquisition and retention costs*

Net costs to acquire and retain 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 customer acquisition and retention costs are written off in the period in which the customers churn.

Net costs to acquire prepaid mobile telecommunications customers and net costs to acquire or retain contract customers pursuant to contracts without early termination penalty clauses are both expensed in the period incurred ("Telecommunications expensed CACs").

## 2 Critical accounting estimates and judgements *(continued)*

### (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 2007 and 31 December 2006 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 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.

### (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.

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.

## 2 Critical accounting estimates and judgements *(continued)*

### (e) Tax *(continued)*

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 other 3G 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.

### 3 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:

	2007 HK\$ millions	2006 HK\$ millions
Sales of goods	100,381	92,334
Rendering of services	110,811	85,677
Interest	7,113	5,461
Dividends	421	340
	<b>218,726</b>	<b>183,812</b>

### 4 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 18 and 19).

Telecommunications - 3 Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway, Ireland and Australia. (2006 - Telecommunications - 3 Group included 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\$57 million (2006 - HK\$65 million), Property and hotels is HK\$307 million (2006 - HK\$251 million), Finance & investments and others is HK\$1,118 million (2006 - HK\$384 million) and Hutchison Telecommunications International is HK\$82 million (2006 - nil).

#### Business segment

	Revenue							
	Company and Subsidiaries	Associates and JCE	2007 Total	% <sup>(a)</sup>	Company and Subsidiaries	Associates and JCE	2006 Total	% <sup>(a)</sup>
	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions	
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	33,207	4,684	37,891	15%	29,081	3,960	33,041	15%
Property and hotels	5,317	4,234	9,551	4%	4,889	5,828	10,717	5%
Retail	94,663	15,344	110,007	44%	86,876	12,273	99,149	45%
Cheung Kong Infrastructure	2,403	14,848	17,251	7%	2,207	12,615	14,822	7%
Husky Energy	-	39,781	39,781	16%	-	29,981	29,981	14%
Finance & investments and others	11,094	2,512	13,606	6%	10,248	2,366	12,614	6%
Hutchison Telecommunications International	12,618	8,161	20,779	8%	-	16,672	16,672	8%
Subtotal - Established businesses	<b>159,302</b>	<b>89,564</b>	<b>248,866</b>	<b>100%</b>	<b>133,301</b>	<b>83,695</b>	<b>216,996</b>	<b>100%</b>
<b>TELECOMMUNICATIONS - 3 Group</b>	<b>59,424</b>	<b>485</b>	<b>59,909</b>		<b>50,511</b>	<b>157</b>	<b>50,668</b>	
	<b>218,726</b>	<b>90,049</b>	<b>308,775</b>		<b>183,812</b>	<b>83,852</b>	<b>267,664</b>	

## 4 Segment information (continued)

### Business segment (continued)

	EBIT (LBIT) <sup>(b)</sup>							
	Company and Subsidiaries			Associates and JCE		2006 Total		
	HK\$ millions	HK\$ millions	HK\$ millions	% <sup>(a)</sup>	HK\$ millions	HK\$ millions	HK\$ millions	% <sup>(a)</sup>
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	11,118	1,731	12,849	23%	9,881	1,514	11,395	26%
Property and hotels	2,807	1,253	4,060	7%	2,649	3,018	5,667	13%
Retail	2,889	822	3,711	7%	2,059	661	2,720	6%
Cheung Kong Infrastructure	797	6,556	7,353	13%	629	5,507	6,136	14%
Husky Energy	–	10,523	10,523	19%	–	8,305	8,305	19%
Finance & investments and others <sup>(1)</sup>	13,183	668	13,851	25%	6,305	615	6,920	16%
Hutchison Telecommunications International	1,523	1,695	3,218	6%	–	2,648	2,648	6%
<b>EBIT - Established businesses <sup>(b)</sup></b>	<b>32,317</b>	<b>23,248</b>	<b>55,565</b>	<b>100%</b>	<b>21,523</b>	<b>22,268</b>	<b>43,791</b>	<b>100%</b>
<b>TELECOMMUNICATIONS - 3 Group <sup>(d)</sup></b>								
EBIT before depreciation, amortisation and telecommunications expensed CACs	18,339	67	18,406		13,216	7	13,223	
Telecommunications expensed CACs	(5,732)	–	(5,732)		(5,494)	–	(5,494)	
EBIT before depreciation and amortisation and after telecommunications expensed CACs	12,607	67	12,674		7,722	7	7,729	
Depreciation	(11,139)	(60)	(11,199)		(9,497)	(4)	(9,501)	
Amortisation of licence fees and other rights	(6,143)	–	(6,143)		(6,503)	–	(6,503)	
Amortisation of telecommunications postpaid CACs	(13,270)	–	(13,270)		(11,721)	–	(11,721)	
<b>EBIT (LBIT) - Telecommunications - 3 Group <sup>(b)</sup></b>	<b>(17,945)</b>	<b>7</b>	<b>(17,938)</b>		<b>(19,999)</b>	<b>3</b>	<b>(19,996)</b>	
Change in fair value of investment properties	1,988	7	1,995		2,843	959	3,802	
Profit (loss) on disposal of investments and others (See note 5)	(11,182)	35,820	24,638		23,290	–	23,290	
<b>EBIT</b>	<b>5,178</b>	<b>59,082</b>	<b>64,260</b>		<b>27,657</b>	<b>23,230</b>	<b>50,887</b>	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,446)	(3,446)		–	(3,745)	(3,745)	
Current tax	–	(2,532)	(2,532)		–	(3,273)	(3,273)	
Deferred tax	–	(1,579)	(1,579)		–	(901)	(901)	
Minority interests	–	(365)	(365)		–	(764)	(764)	
	<b>5,178</b>	<b>51,160</b>	<b>56,338</b>		<b>27,657</b>	<b>14,547</b>	<b>42,204</b>	

4 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JCE	2007 Total	Company and Subsidiaries	Associates and JCE	2006 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>						
Ports and related services	3,200	536	3,736	2,848	517	3,365
Property and hotels	302	158	460	309	151	460
Retail	2,117	325	2,442	1,941	161	2,102
Cheung Kong Infrastructure	124	1,988	2,112	125	1,852	1,977
Husky Energy	–	5,058	5,058	–	4,232	4,232
Finance & investments and others	198	115	313	147	90	237
Hutchison Telecommunications International	2,379	980	3,359	–	2,335	2,335
Subtotal - Established businesses	8,320	9,160	17,480	5,370	9,338	14,708
<b>TELECOMMUNICATIONS - 3 Group</b>	30,552	60	30,612	27,721	4	27,725
	38,872	9,220	48,092	33,091	9,342	42,433



#### 4 Segment information (continued)

Business segment (continued)

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2007 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>					
Ports and related services	9,404	—	—	—	9,404
Property and hotels	89	—	—	—	89
Retail	1,843	—	—	—	1,843
Cheung Kong Infrastructure	183	—	—	—	183
Husky Energy	—	—	—	—	—
Finance & investments and others	152	—	—	—	152
Hutchison Telecommunications International	3,316	—	36	346	3,698
Subtotal - Established businesses	14,987	—	36	346	15,369
<b>TELECOMMUNICATIONS - 3 Group<sup>(e)</sup></b>	<b>13,969</b>	<b>86</b>	<b>536</b>	<b>11,479</b>	<b>26,070</b>
	<b>28,956</b>	<b>86</b>	<b>572</b>	<b>11,825</b>	<b>41,439</b>

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2006 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>					
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
<b>TELECOMMUNICATIONS - 3 Group<sup>(e)</sup></b>	<b>11,559</b>	<b>—</b>	<b>1,578</b>	<b>15,223</b>	<b>28,360</b>
	<b>23,908</b>	<b>—</b>	<b>1,863</b>	<b>15,223</b>	<b>40,994</b>

#### 4 Segment information (continued)

##### Business segment (continued)

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment assets <sup>(i)</sup>	Deferred tax assets		2007 Total assets	Segment assets <sup>(i)</sup>	Deferred tax assets		2006 Total assets
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	91,308	157	10,996	102,461	81,874	256	10,937	93,067
Property and hotels	49,056	9	23,116	72,181	47,239	10	22,864	70,113
Retail	52,056	400	2,338	54,794	50,851	170	2,001	53,022
Cheung Kong Infrastructure	18,264	5	39,308	57,577	16,540	–	41,267	57,807
Husky Energy	–	–	35,669	35,669	–	–	26,052	26,052
Finance & investments and others	143,490	26	2,883	146,399	128,856	43	2,776	131,675
Hutchison Telecommunications International	76,446	376	2	76,824	–	–	7,043	7,043
Subtotal - Established businesses	430,620	973	114,312	545,905	325,360	479	112,940	438,779
<b>TELECOMMUNICATIONS - 3 Group<sup>(ii)</sup></b>	235,717	16,646	958	253,321	221,536	16,680	521	238,737
	666,337	17,619	115,270	799,226	546,896	17,159	113,461	677,516

	Total liabilities							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment liabilities <sup>(i)</sup>	Current & long-term borrowings <sup>(ii)</sup> and other non-current liabilities	Current & deferred tax liabilities	2007 Total liabilities	Segment liabilities <sup>(i)</sup>	Current & long-term borrowings <sup>(ii)</sup> and other non-current liabilities	Current & deferred tax liabilities	2006 Total liabilities
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	17,474	44,243	6,753	68,470	14,870	41,709	6,539	63,118
Property and hotels	2,162	837	5,751	8,750	2,277	805	4,276	7,358
Retail	17,891	28,239	490	46,620	19,032	28,520	331	47,883
Cheung Kong Infrastructure	1,435	7,766	1,430	10,631	1,441	9,505	1,809	12,755
Husky Energy	–	–	3,316	3,316	–	–	2,129	2,129
Finance & investments and others	8,264	64,263	1,542	74,069	5,819	66,055	1,126	73,000
Hutchison Telecommunications International	8,395	13,668	695	22,758	–	–	–	–
Subtotal - Established businesses	55,621	159,016	19,977	234,614	43,439	146,594	16,210	206,243
<b>TELECOMMUNICATIONS - 3 Group</b>	35,876	169,762	316	205,954	25,426	154,844	438	180,708
	91,497	328,778	20,293	440,568	68,865	301,438	16,648	386,951

## 4 Segment information (continued)

### Geographical segment

	Revenue							
	Company and Subsidiaries		Associates and JCE	2007 Total	Company and Subsidiaries		Associates and JCE	2006 Total
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	35,212	14,087	49,299	16%	31,060	14,105	45,165	17%
Mainland China	19,405	9,237	28,642	9%	16,135	8,811	24,946	9%
Asia and Australia	31,084	10,871	41,955	14%	20,028	18,032	38,060	14%
Europe	121,273	15,595	136,868	44%	106,908	12,651	119,559	45%
Americas and others	11,752	40,259	52,011	17%	9,681	30,253	39,934	15%
	218,726	90,049	308,775	100%	183,812	83,852	267,664	100%

	EBIT (LBIT) <sup>(b)</sup>							
	Company and Subsidiaries		Associates and JCE	2007 Total	Company and Subsidiaries		Associates and JCE	2006 Total
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	13,217	5,292	18,509	29%	6,057	4,311	10,368	20%
Mainland China	5,042	3,128	8,170	13%	4,658	3,260	7,918	16%
Asia and Australia	2,499	2,580	5,079	8%	1,009	5,115	6,124	12%
Europe	(13,014)	1,513	(11,501)	-18%	(14,480)	1,303	(13,177)	-26%
Americas and others	6,628	10,742	17,370	27%	4,280	8,282	12,562	25%
Change in fair value of investment properties	1,988	7	1,995	3%	2,843	959	3,802	7%
Profit (loss) on disposal of investments and others (See note 5)	(11,182)	35,820	24,638	38%	23,290	–	23,290	46%
<b>EBIT</b>	<b>5,178</b>	<b>59,082</b>	<b>64,260</b>	<b>100%</b>	<b>27,657</b>	<b>23,230</b>	<b>50,887</b>	<b>100%</b>
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,446)	(3,446)		–	(3,745)	(3,745)	
Current tax	–	(2,532)	(2,532)		–	(3,273)	(3,273)	
Deferred tax	–	(1,579)	(1,579)		–	(901)	(901)	
Minority interests	–	(365)	(365)		–	(764)	(764)	
	5,178	51,160	56,338		27,657	14,547	42,204	

4 Segment information (continued)

Geographical segment (continued)

	Capital expenditure <sup>(e)</sup>				2007 Total HK\$ millions
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
Hong Kong	1,056	–	36	345	1,437
Mainland China	3,655	–	–	1	3,656
Asia and Australia	5,753	–	–	1,285	7,038
Europe	15,789	86	536	10,194	26,605
Americas and others	2,703	–	–	–	2,703
	<b>28,956</b>	<b>86</b>	<b>572</b>	<b>11,825</b>	<b>41,439</b>

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

	Total assets								
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		2007 Total assets HK\$ millions	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment assets <sup>(f)</sup> HK\$ millions	Deferred tax assets HK\$ millions	HK\$ millions	HK\$ millions		Segment assets <sup>(f)</sup> HK\$ millions	Deferred tax assets HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	117,866	457	30,172	148,495	91,032	101	36,890	128,023	
Mainland China	39,952	57	29,631	69,640	33,937	43	27,650	61,630	
Asia and Australia	67,092	103	11,093	78,288	36,831	134	14,211	51,176	
Europe	307,242	16,914	6,610	330,766	286,799	16,815	6,366	309,980	
Americas and others	134,185	88	37,764	172,037	98,297	66	28,344	126,707	
	<b>666,337</b>	<b>17,619</b>	<b>115,270</b>	<b>799,226</b>	<b>546,896</b>	<b>17,159</b>	<b>113,461</b>	<b>677,516</b>	

## 4 Segment information *(continued)*

- (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.
- "EBIT - Established businesses" and "EBIT (LBIT) - Telecommunications - 3 Group" are presented before the change in fair value of investment properties and profit (loss) on disposal of investments and others.
- (c) Included in EBIT of Finance & investments and others is the one-time profits on disposal of certain listed equity investments of HK\$9,754 million (2006 - HK\$1,815 million).
- (d) Included in EBIT of Telecommunications - 3 Group in 2007 are foreign exchange gains totalling HK\$1,898 million (2006 - HK\$2,294 million) which mainly comprise a HK\$1,123 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK\$775 million gain arising from the Group's refinancing of certain non-Euro borrowings with Euro bank loans. Last year's balance mainly comprised 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.
- (e) Included in capital expenditures of Telecommunications - 3 Group in 2007 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2007 which increased total expenditure by HK\$1,433 million (2006 - HK\$3,074 million).
- (f) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, telecommunications postpaid customer acquisition and retention 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.
- (g) Included in total assets of Telecommunications - 3 Group is an unrealised foreign currency exchange gain arising in 2007 of HK\$8,924 million (2006 - HK\$19,505 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.
- (h) Segment liabilities comprise trade and other payables and pension obligations.
- (i) Current and long term borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

## 5 Profit (loss) on disposal of investments and others

	2007 HK\$ millions	2006 HK\$ millions
<b>ESTABLISHED BUSINESSES</b>		
Group's share of HTIL's gain on disposal of CGP <sup>(a)</sup>	35,820	–
HTIL's full provision for its investment in the mobile business in Thailand <sup>(b)</sup>	(3,854)	–
Loss on CKI's disposal of a toll road infrastructure investment in Mainland China and CKI's provision for a toll road infrastructure investment in Australia <sup>(c)</sup>	(1,513)	–
Profit on partial disposal of subsidiaries <sup>(g)</sup>	–	24,380
<b>TELECOMMUNICATIONS - 3 Group</b>		
Profit on disposal of 3 UK's wholesale fixed line business	1,119	–
Deemed dilution profit arising from HTAL restructuring with a minority shareholder <sup>(d)</sup>	955	–
Write-off of customer acquisition and retention costs and content and other similar rights <sup>(e)</sup>	(4,608)	–
Provision mainly for disputed receivables relating to 3 UK and 3 Italia's interconnection disputes	(3,281)	–
Gain of HK\$19,788 million arising from a network sharing arrangement whereby 3 UK obtains a right to share another UK operator's mobile network offset by a one-time provision of HK\$19,788 million for related costs to restructure its network infrastructure <sup>(f)</sup>	–	–
Profit on sale of 3 UK data centres	–	751
CDMA network closure costs <sup>(g)</sup>	–	(1,841)
	<b>24,638</b>	<b>23,290</b>

- (a) The Group's share of Hutchison Telecommunications International's ("HTIL") gain on disposal of CGP Investments (Holdings) Limited ("CGP") represents the Group's share of the disposal gain of HTIL, a listed associated company of the Group at the time of the transaction, on the sale of CGP, which indirectly held its entire interest in its mobile business in India.
- (b) In view of the continuing difficulties faced by its mobile telecommunications operation in Thailand, the Group's listed subsidiary, HTIL recognised an impairment charge of HK\$3,854 million for its Thailand operation, mainly in respect of telecommunications network assets.
- (c) Balance represents the Group's loss on listed subsidiary, Cheung Kong Infrastructure's ("CKI") sales of its entire equity and loan interests in Guangzhou ESW Ring Road and CKI's provision for investments in securities of an infrastructure project in Australia.
- (d) Deemed dilution profit arose in connection with the issuance of new equity by the Group's listed subsidiary, Hutchison Telecommunications Australia Limited ("HTAL"), to acquire from a minority shareholder all the remaining interests in Hutchison 3G Australia, a non-wholly owned subsidiary.
- (e) Write-off of customer acquisition and retention costs and content and other similar rights mainly comprises write-off of certain capitalised acquisition costs relating to customers migrating to lower tariff plans following a decision to discontinue certain promotional tariff plan offerings and write-off of capitalised intangible content costs relating to content that are less active.
- (f) In December 2007, 3 UK entered into a network sharing agreement with another UK mobile communications operator. 3 UK's right to share the other UK mobile communications operator's mobile network assets gave rise to a gain of HK\$19,788 million. This gain has been offset by the related costs to restructure 3 UK's network infrastructure of the same amount, comprising a decommissioning charge against fixed assets of HK\$11,060 million (see note 11), restructuring provision of HK\$4,685 million (see note 26) and write off of prepayments amounting to HK\$4,043 million.
- (g) Profit on partial disposal of subsidiaries in 2006 arose from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments. The CDMA network closure costs related 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.

## 6 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 2007 and 2006 are as below:

Name of directors	2007					
	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 <sup>(a) (f)</sup>	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
<i>Paid by the Company</i>	0.12	4.44	36.00	–	–	40.56
<i>Paid by Cheung Kong Infrastructure</i>	0.07	–	11.00	–	–	11.07
<i>Paid to the Company</i>	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	47.00	–	–	51.56
FOK Kin-ning, Canning <sup>(b)</sup>	0.12	9.81	136.02	2.03	–	147.98
CHOW WOO Mo Fong, Susan <sup>(b)</sup>	0.12	7.33	31.20	1.47	–	40.12
Frank John SIXT <sup>(b)</sup>	0.18	7.34	29.88	0.64	–	38.04
LAI Kai Ming, Dominic <sup>(b)</sup>	0.12	4.97	25.00	0.92	–	31.01
KAM Hing Lam <sup>(b)</sup>						
<i>Paid by the Company</i>	0.12	2.25	6.80	–	–	9.17
<i>Paid by Cheung Kong Infrastructure</i>	0.07	4.20	4.80	–	–	9.07
<i>Paid to the Company</i>	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	11.60	–	–	13.97
George Colin MAGNUS <sup>(d)</sup>						
<i>Paid by the Company</i>	0.12	–	–	–	–	0.12
<i>Paid by Cheung Kong Infrastructure</i>	0.07	–	–	–	–	0.07
	0.19	–	–	–	–	0.19
William SHURNIAK <sup>(d) (e)</sup>	0.25	–	–	–	–	0.25
Michael David KADOORIE <sup>(c)</sup>	0.12	–	–	–	–	0.12
Holger KLUGE <sup>(c) (e) (f)</sup>	0.31	–	–	–	–	0.31
Simon MURRAY <sup>(c) (g)</sup>	0.04	–	–	–	–	0.04
OR Ching Fai, Raymond <sup>(c)</sup>	0.12	–	–	–	–	0.12
WONG Chung Hin <sup>(c) (e) (f)</sup>	0.31	–	–	–	–	0.31
<b>Total</b>	<b>2.17</b>	<b>36.14</b>	<b>280.70</b>	<b>5.06</b>	<b>–</b>	<b>324.07</b>

- (a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 (2006 - 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\$900,000 (2006 - HK\$800,000).
- (d) Non-executive director.
- (e) Members of the Audit Committee.
- (f) Members of the Remuneration Committee.
- (g) Resigned on 17 May 2007.

6 Directors' emoluments (continued)

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

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 (2006 - Nil).

In 2007, 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\$5.95 million; provident fund contribution - HK\$0.46 million; and bonus - HK\$30.80 million. 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.



## 7 Interest and other finance costs

	2007 HK\$ millions	2006 HK\$ millions
Bank loans and overdrafts	7,408	5,856
Other loans repayable within 5 years	626	754
Other loans not wholly repayable within 5 years	6	6
Notes and bonds repayable within 5 years	2,659	2,688
Notes and bonds not wholly repayable within 5 years	7,483	6,492
Interest bearing loans from minority shareholders repayable within 5 years	533	558
Interest bearing loans from minority shareholders not wholly repayable within 5 years	289	71
	<b>19,004</b>	16,425
Notional non-cash interest accretion	546	611
	<b>19,550</b>	17,036
Less: interest capitalised	(496)	(435)
	<b>19,054</b>	16,601

Borrowing costs have been capitalised at various applicable rates ranging from 4.3% to 8.0% per annum (2006 - 4.6% to 7.9% 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.

## 8 Tax

	Current tax HK\$ millions	Deferred tax HK\$ millions	2007 Total HK\$ millions	Current tax HK\$ millions	Deferred tax HK\$ millions	2006 Total HK\$ millions
Hong Kong	421	1,644	2,065	424	388	812
Outside Hong Kong	2,347	7	2,354	1,136	1,029	2,165
	<b>2,768</b>	<b>1,651</b>	<b>4,419</b>	1,560	1,417	2,977

Hong Kong profits tax has been provided for at the rate of 17.5% (2006 - 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 (2006 - nil) (see note 20).

## 8 Tax (continued)

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	2007 Total HK\$ millions
Tax calculated at the domestic rates applicable in the country concerned	4,638	(10,249)	(5,611)
Tax losses not recognised	863	9,403	10,266
Tax incentives	(450)	–	(450)
Income not subject to tax	(1,766)	(5)	(1,771)
Expenses not deductible for tax purposes	1,274	170	1,444
Recognition of previously unrecognised tax losses	(30)	–	(30)
Utilisation of previously unrecognised tax losses	(24)	(95)	(119)
Under provision in prior years	133	–	133
Deferred tax assets written off	365	–	365
Other temporary differences	67	727	794
Effect of change in tax rate	(536)	(66)	(602)
<b>Total tax for the year</b>	<b>4,534</b>	<b>(115)</b>	<b>4,419</b>

	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 (over) 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)
<b>Total tax for the year</b>	<b>2,965</b>	<b>12</b>	<b>2,977</b>

## 9 Dividends

	2007 HK\$ millions	2006 HK\$ millions
Interim, paid of HK\$0.51 per share (2006 - HK\$0.51)	2,174	2,174
Final, proposed of HK\$1.22 per share (2006 - HK\$1.22)	5,201	5,201
	<b>7,375</b>	<b>7,375</b>

## 10 Earnings per share for profit attributable to shareholders of the Company

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK\$30,600 million (2006 - HK\$20,030 million) and on 4,263,370,780 shares in issue during 2007 (2006 - 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 2007. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2007 did not have a dilutive effect on earnings per share.

## 11 Fixed assets

	Land and buildings HK\$ millions	Telecom- munications network assets HK\$ millions	Other assets HK\$ millions	Total HK\$ millions
<b>Cost</b>				
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 1 January 2007	<b>34,291</b>	<b>89,230</b>	<b>88,692</b>	<b>212,213</b>
Additions	<b>4,364</b>	<b>4,612</b>	<b>18,848</b>	<b>27,824</b>
Disposals	<b>(376)</b>	<b>(14,266)</b>	<b>(2,499)</b>	<b>(17,141)</b>
Relating to subsidiaries acquired	<b>498</b>	<b>29,307</b>	<b>7,325</b>	<b>37,130</b>
Relating to subsidiaries disposed of	–	–	(78)	(78)
Revaluation upon transfer to investment properties	4	–	–	4
Transfer from (to) other assets	5	(123)	369	251
Transfer between categories/investment properties/ leasehold land	<b>1,015</b>	<b>4,664</b>	<b>(5,727)</b>	<b>(48)</b>
Non-cash additions relating to 3 UK network sharing agreement <sup>(a)</sup>	–	<b>19,788</b>	–	<b>19,788</b>
Exchange translation differences	<b>581</b>	<b>5,768</b>	<b>4,467</b>	<b>10,816</b>
At 31 December 2007	<b>40,382</b>	<b>138,980</b>	<b>111,397</b>	<b>290,759</b>

11 Fixed assets (continued)

	Land and buildings HK\$ millions	Telecom- munications network assets HK\$ millions	Other assets HK\$ millions	Total HK\$ millions
<b>Accumulated depreciation and impairment</b>				
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 1 January 2007	<b>8,069</b>	<b>18,507</b>	<b>45,456</b>	<b>72,032</b>
Charge for the year	<b>1,025</b>	<b>4,638</b>	<b>11,953</b>	<b>17,616</b>
Decommissioning charge relating to 3 UK network sharing agreement <sup>(a)</sup>	–	<b>11,060</b>	–	<b>11,060</b>
Impairment recognised <sup>(b)</sup>	–	<b>2,938</b>	<b>756</b>	<b>3,694</b>
Disposals	<b>(264)</b>	<b>(14,250)</b>	<b>(1,849)</b>	<b>(16,363)</b>
Relating to subsidiaries acquired	<b>34</b>	<b>12,528</b>	<b>4,336</b>	<b>16,898</b>
Relating to subsidiaries disposed of	–	–	<b>(43)</b>	<b>(43)</b>
Transfer from other assets	–	<b>3</b>	<b>78</b>	<b>81</b>
Transfer between categories/investment properties/ leasehold land	<b>507</b>	<b>(24)</b>	<b>(410)</b>	<b>73</b>
Exchange translation differences	<b>171</b>	<b>1,425</b>	<b>2,773</b>	<b>4,369</b>
At 31 December 2007	<b>9,542</b>	<b>36,825</b>	<b>63,050</b>	<b>109,417</b>
<b>Net book value</b>				
At 31 December 2007	<b>30,840</b>	<b>102,155</b>	<b>48,347</b>	<b>181,342</b>
At 31 December 2006	26,222	70,723	43,236	140,181

(a) Non-cash additions and decommissioning charge relate to 3 UK network sharing agreement (see note 5).

(b) Impairment recognised mainly represents provision for HTIL's Thailand operation (see note 5).

Land and buildings include projects under development in the amount of HK\$3,136 million (2006 - HK\$1,567 million).

Cost and net book value of fixed assets include HK\$145,081 million (2006 - HK\$118,665 million) and HK\$101,841 million (2006 - HK\$85,943 million) respectively, relating to 3G businesses. Impairment tests were undertaken at 31 December 2007 and 31 December 2006 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 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

## 12 Investment properties

	2007 HK\$ millions	2006 HK\$ millions
<b>Valuation</b>		
At 1 January	41,657	38,557
Additions	28	45
Disposals	(205)	–
Relating to subsidiaries acquired	–	23
Change in fair value of investment properties	1,988	2,843
Transfer from fixed assets and leasehold land	5	59
Exchange translation differences	207	130
At 31 December	<b>43,680</b>	41,657

Investment properties have been fair valued as at 31 December 2007 and 31 December 2006 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2007 HK\$ millions	2006 HK\$ millions
<b>Hong Kong</b>		
Long leasehold (not less than 50 years)	16,387	15,918
Medium leasehold (less than 50 years but not less than 10 years)	23,277	22,097
<b>Outside Hong Kong</b>		
Freehold	210	210
Medium leasehold	3,806	3,432
	<b>43,680</b>	41,657

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

	2007 HK\$ millions	2006 HK\$ millions
Within 1 year	1,475	1,991
After 1 year, but within 5 years	1,523	2,252
After 5 years	68	515

### 13 Leasehold land

	2007 HK\$ millions	2006 HK\$ millions
<b>Net book value</b>		
At 1 January	35,293	32,374
Additions	1,104	1,454
Disposals	(13)	(25)
Relating to subsidiaries acquired	409	2,164
Relating to subsidiaries disposed of	–	(48)
Amortisation for the year	(986)	(956)
Transfer to investment properties	(1)	–
Transfer from fixed assets	117	26
Exchange translation differences	349	304
At 31 December	<b>36,272</b>	35,293

The Group's leasehold land comprises:

	2007 HK\$ millions	2006 HK\$ millions
<b>Hong Kong</b>		
Long leasehold	1,566	1,581
Medium leasehold	13,277	13,643
<b>Outside Hong Kong</b>		
Long leasehold	1,175	1,162
Medium leasehold	20,252	18,794
Short leasehold (less than 10 years)	2	113
	<b>36,272</b>	35,293

## 14 Telecommunications licences

	2007 HK\$ millions	2006 HK\$ millions
<b>Net book value</b>		
At 1 January	89,077	84,624
Additions	182	–
Relating to subsidiaries acquired	4,566	–
Amortisation for the year	(5,617)	(5,766)
Impairment recognised <sup>(a)</sup>	(397)	–
Exchange translation differences	4,086	10,219
At 31 December	91,897	89,077
Cost	121,787	109,768
Accumulated amortisation and impairment	(29,890)	(20,691)
	91,897	89,077

(a) Impairment recognised represents provision for HTIL's Thailand operation (see note 5).

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 2007 and 31 December 2006 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 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

## 15 Telecommunications postpaid customer acquisition and retention costs

	2007 HK\$ millions	2006 HK\$ millions
<b>Net book value</b>		
At 1 January	10,532	6,172
Additions	11,825	15,223
Relating to subsidiaries acquired	368	–
Amortisation and write off for the year	(14,442)	(11,721)
Exchange translation differences	488	858
At 31 December	8,771	10,532
<b>Cost</b>	17,873	25,155
Accumulated amortisation	(9,102)	(14,623)
	8,771	10,532

## 16 Goodwill

	2007 HK\$ millions	2006 HK\$ millions
<b>Cost</b>		
At 1 January	21,840	17,959
Relating to subsidiaries acquired	5,349	1,800
Relating to increase in interests in subsidiaries	2,718	–
Relating to partial disposal of subsidiaries	(4)	–
Exchange translation differences	1,617	2,081
At 31 December	31,520	21,840

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2006 - €645 million), Kruidvat of €600 million (2006 - €600 million), Merchant Retail Group of £140 million (2006 - £140 million) and Superdrug of £78 million (2006 - £78 million), increased shareholdings in 3 Italia of €266 million (2006 - €229 million), increased shareholdings in Hutchison 3G Australia of AUD331 million (2006 - nil) and goodwill relating to HTIL of HK\$5,357 million (2006 - nil).

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 2007 and 31 December 2006. Note 2(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated no impairment charge was necessary.



## 17 Brand names and other rights

	Brand names HK\$ millions	Other rights HK\$ millions	Total HK\$ millions
<b>Net book value</b>			
At 1 January 2007	1,835	5,747	7,582
Additions	–	572	572
Relating to subsidiaries acquired	–	4,660	4,660
Transfer from other assets	–	40	40
Amortisation for the year	–	(1,131)	(1,131)
Write off for the year	–	(1,757)	(1,757)
Exchange translation differences	125	810	935
At 31 December 2007	1,960	8,941	10,901
Cost	1,960	15,457	17,417
Accumulated amortisation	–	(6,516)	(6,516)
	1,960	8,941	10,901
	Brand names HK\$ millions	Other rights HK\$ millions	Total HK\$ millions
<b>Net book value</b>			
At 1 January 2006	1,625	1,954	3,579
Additions	–	1,863	1,863
Relating to subsidiaries acquired	18	907	925
Relating to subsidiaries disposed of	–	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

The brand names as at 31 December 2007 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 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 2007 and the results of the tests indicated no impairment charge was necessary as at 31 December 2007.

Other rights, which include customer base relating to subsidiaries acquired, operating and service content rights, are amortised over their finite useful lives.

## 18 Associated companies

	2007 HK\$ millions	2006 HK\$ millions
Unlisted shares	6,594	8,095
Listed shares, Hong Kong	9,512	20,804
Listed shares, outside Hong Kong	10,341	10,341
Share of undistributed post acquisition reserves	42,905	26,948
	<b>69,352</b>	66,188
Amounts due from associated companies	6,193	8,766
	<b>75,545</b>	74,954

The market value of the above listed investments at 31 December 2007 was HK\$140,306 million (2006 - HK\$156,308 million).

Particulars regarding the principal associated companies are set forth on pages 198 to 203.

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

	2007 HK\$ millions	2006 HK\$ millions
Revenue	169,024	154,987
Profit after tax	105,819	31,587
	<b>322,583</b>	340,867
Non-current assets	322,583	340,867
Current assets	50,145	58,105
Total assets	<b>372,728</b>	398,972
	<b>153,676</b>	180,607
Non-current liabilities	153,676	180,607
Current liabilities	49,196	66,679
Total liabilities	<b>202,872</b>	247,286

## 18 Associated companies *(continued)*

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

	2007 HK\$ millions	2006 HK\$ millions
Revenue	61,431	59,037
Expense	(34,864)	(32,873)
Group's share of HTIL's gain on disposal of CGP	35,820	–
EBITDA <sup>(a)</sup>	62,387	26,164
Depreciation and amortisation	(8,059)	(8,441)
Change in fair value of investment properties	15	760
EBIT <sup>(b)</sup>	54,343	18,483
Interest and other finance costs	(2,753)	(3,164)
Current tax	(1,833)	(2,629)
Deferred tax	(1,570)	(454)
Minority interests	(365)	(764)
Profit after tax	47,822	11,472

(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.

## 19 Interests in joint ventures

	2007 HK\$ millions	2006 HK\$ millions
<b>Jointly controlled entities</b>		
Unlisted shares	22,290	22,514
Share of undistributed post acquisition reserves	879	(1,185)
	23,169	21,329
Amounts due from jointly controlled entities	16,556	17,178
	39,725	38,507

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

Particulars regarding the principal jointly controlled entities are set forth on pages 198 to 203.

## 19 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:

	2007 HK\$ millions	2006 HK\$ millions
Revenue	63,180	54,533
Profit after tax	8,254	7,223
Non-current assets	169,086	105,045
Current assets	45,794	42,099
Total assets	214,880	147,144
Non-current liabilities	83,267	78,403
Current liabilities	36,990	34,370
Total liabilities	120,257	112,773

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

	2007 HK\$ millions	2006 HK\$ millions
Revenue	28,618	24,815
Expense	(22,710)	(19,366)
EBITDA <sup>(a)</sup>	5,908	5,449
Depreciation and amortisation	(1,161)	(901)
Change in fair value of investment properties	(8)	199
EBIT <sup>(b)</sup>	4,739	4,747
Interest and other finance costs	(693)	(581)
Current tax	(699)	(644)
Deferred tax	(9)	(447)
Profit after tax	3,338	3,075
Capital commitments	112	835

(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.

## 20 Deferred tax

	2007 HK\$ millions	2006 HK\$ millions
Deferred tax assets	17,619	17,159
Deferred tax liabilities	17,957	15,019
Net deferred tax assets (liabilities)	<b>(338)</b>	2,140

Movements in net deferred tax assets (liabilities) are as follows:

	2007 HK\$ millions	2006 HK\$ millions
At 1 January	2,140	1,885
Relating to subsidiaries acquired	(660)	(163)
Relating to subsidiaries disposed of	–	2
Transfer from current tax	390	67
Net charge to reserves	(215)	(144)
Net credit (charge) for the year		
Unused tax losses	(109)	(66)
Accelerated depreciation allowances	271	(222)
Fair value adjustments arising from acquisitions	680	183
Revaluation of investment properties and other investments	(179)	(473)
Withholding tax on unremitted earnings	(1,007)	(799)
Other temporary differences	(1,307)	(40)
Exchange translation differences	(342)	1,910
At 31 December	<b>(338)</b>	2,140

Analysis of net deferred tax assets (liabilities):

	2007 HK\$ millions	2006 HK\$ millions
Unused tax losses	20,118	17,697
Accelerated depreciation allowances	(3,867)	(2,366)
Fair value adjustments arising from acquisitions	(6,081)	(5,871)
Revaluation of investment properties and other investments	(5,089)	(4,849)
Withholding tax on unremitted earnings	(3,449)	(2,221)
Other temporary differences	(1,970)	(250)
	<b>(338)</b>	2,140

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 2007, the Group has recognised deferred tax assets amounting to HK\$17,619 million (2006 - HK\$17,159 million) of which HK\$16,646 million (2006 - HK\$16,680 million) relates to the Group's 3G businesses.

Note 2(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

## 20 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\$45,737 million at 31 December 2007 (2006 - HK\$35,576 million).

The unrecognised tax losses carried forward amounted to HK\$176,933 million at 31 December 2007 (2006 - HK\$136,837 million), out of which HK\$125,097 million (2006 - HK\$118,032 million) is attributable to the 3G businesses. Unrecognised tax losses of HK\$94,102 million (2006 - HK\$70,064 million) can be carried forward indefinitely. The remaining HK\$82,831 million (2006 - HK\$66,773 million) expires in the following years:

	2007 HK\$ millions	2006 HK\$ millions
In the first year	15,845	6,473
In the second year	23,048	13,322
In the third year	22,302	20,156
In the fourth year	7,308	18,818
In the fifth to tenth years inclusive	14,328	8,004
	<b>82,831</b>	66,773

## 21 Other non-current assets

	2007 HK\$ millions	2006 HK\$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	1,984	2,250
Infrastructure project investments	577	699
	<b>2,561</b>	2,949
Available-for-sale investments		
Unlisted equity securities	1,647	775
Pension assets (See note 29)	542	–
Fair value hedges		
Interest rate swaps	277	–
Cash flow hedges		
Interest rate swaps	55	38
	<b>5,082</b>	3,762

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 2007 is 5.5% (2006 - 6.6%).

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.

## 22 Liquid funds and other listed investments

	2007 HK\$ millions	2006 HK\$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	46,444	43,773
Listed debt securities	5,514	5,324
Listed equity securities, Hong Kong	6,312	8,109
Listed equity securities, outside Hong Kong	5,685	4,216
	<b>63,955</b>	61,422
Loans and receivables		
Long term deposits	4,196	3,771
Financial assets at fair value through profit or loss	1,041	1,058
	<b>69,192</b>	66,251

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

	2007 HK\$ millions	2006 HK\$ millions
Listed debt securities	45,877	42,803
Cash and cash equivalents	567	970
	<b>46,444</b>	43,773

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 2007 was HK\$64,996 million (2006 - HK\$62,480 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 2007 was 5.2% (2006 - 5.7%).

## 22 Liquid funds and other listed investments (continued)

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

	2007			2006		
	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	10%	11%	–	13%	–	–
US dollars	73%	87%	75%	72%	97%	73%
Euro	9%	–	–	8%	–	–
Others	8%	2%	25%	7%	3%	27%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

	2007 Percentage	2006 Percentage
<b>Credit ratings</b>		
Aaa/AAA	81%	83%
Aa1/AA+	5%	4%
Aa2/AA	7%	4%
Aa3/AA-	6%	7%
A1/A+	–	1%
A3/A-	1%	1%
	<b>100%</b>	<b>100%</b>
<b>Sectorial</b>		
US Treasury notes	42%	47%
Government issued guaranteed notes	24%	22%
Supranational notes	19%	17%
Others	15%	14%
	<b>100%</b>	<b>100%</b>
Weighted average maturity	<b>1.2 years</b>	2.1 years
Weighted average effective interest rate, inclusive of the effects of hedging transactions	<b>3.45%</b>	3.14%



## 23 Cash and cash equivalents

	2007 HK\$ millions	2006 HK\$ millions
Cash at bank and in hand	13,650	10,889
Short term bank deposits	97,657	53,262
	<b>111,307</b>	<b>64,151</b>

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

## 24 Trade and other receivables

	2007 HK\$ millions	2006 HK\$ millions
Trade receivables	28,951	20,178
Other receivables and prepayments	26,235	24,010
Fair value hedges		
Interest rate swaps	100	–
Cash flow hedges		
Forward foreign exchange contracts	88	–
	<b>55,374</b>	<b>44,188</b>

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:

	2007 HK\$ millions	2006 HK\$ millions
Less than 31 days	13,305	12,024
Within 31 to 60 days	3,388	2,533
Within 61 to 90 days	1,312	980
Over 90 days	10,946	4,641
	<b>28,951</b>	<b>20,178</b>

The Group's 5 largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2007 and 2006.

## 25 Trade and other payables

	2007 HK\$ millions	2006 HK\$ millions
Trade payables	27,206	21,023
Other payables and accruals	53,145	41,652
Provisions (See note 26)	6,476	1,351
Interest free loans from minority shareholders	3,088	2,318
Fair value hedges		
Interest rate swaps	3	61
Cash flow hedges		
Forward foreign exchange contracts	111	82
	<b>90,029</b>	<b>66,487</b>

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

	2007 HK\$ millions	2006 HK\$ millions
Less than 31 days	14,322	12,557
Within 31 to 60 days	3,290	3,980
Within 61 to 90 days	2,556	1,966
Over 90 days	7,038	2,520
	<b>27,206</b>	<b>21,023</b>

The Group's 5 largest suppliers accounted for less than 20% of the Group's cost of purchases for the years ended 31 December 2007 and 2006.

## 26 Provisions

	Restructuring and closure provision	Assets retirement	Others	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
At 1 January 2007	910	615	441	1,966
Additions	4,720	75	1,030	5,825
Interest accretion	–	46	–	46
Utilisations	(221)	(8)	(226)	(455)
Write back	(56)	–	(176)	(232)
Relating to subsidiaries acquired	48	125	2	175
Relating to subsidiaries disposed of	(8)	–	(39)	(47)
Exchange translation differences	17	36	22	75
At 31 December 2007	5,410	889	1,054	7,353

Provisions analysed as:

	2007	2006
	HK\$ millions	HK\$ millions
Current portion (See note 25)	6,476	1,351
Long term portion (See note 30)	877	615
	7,353	1,966

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures. Additions for the year mainly represent network restructuring costs arising from the network sharing agreement with another UK mobile communications operator (see note 5).

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.

## 27 Bank and other debts

	2007 HK\$ millions	2006 HK\$ millions
Bank loans		
Repayable within 5 years	156,010	130,172
Not wholly repayable within 5 years	29	826
	<b>156,039</b>	130,998
Other loans		
Repayable within 5 years	7,287	10,185
Not wholly repayable within 5 years	76	109
	<b>7,363</b>	10,294
Notes and bonds		
US\$750 million notes-Series A, 6.95% due 2007	–	5,789
US\$500 million notes-Series B, 7.45% due 2017	3,863	3,700
US\$500 million notes-Series C, 7.5% due 2027	3,863	3,700
US\$250 million notes-Series D, 6.988% due 2037	1,926	1,924
US\$175 million notes, LIBOR + 0.45% due 2008	1,364	1,362
US\$1,500 million notes, 5.45% due 2010	11,716	11,276
US\$1,500 million notes, 7% due 2011	11,664	11,316
US\$3,500 million notes, 6.5% due 2013	27,169	25,996
US\$2,000 million notes, 6.25% due 2014	15,674	15,024
US\$1,500 million notes, 7.45% due 2033	11,685	11,218
EUR85 million bonds, 2.5% due 2008	1,123	989
EUR1,000 million notes, 5.875% due 2013	11,153	10,200
EUR655 million notes, 4.125% due 2015	7,303	6,680
EUR1,000 million notes, 4.625% due 2016	11,150	10,199
GBP325 million bonds, 6.75% due 2015	5,003	4,921
GBP300 million bonds, 5.625% due 2017	4,617	4,543
GBP400 million bonds, 5.625% due 2026	6,143	6,047
AUD800 million notes, BBSW + 0.65% due 2008	5,384	4,893
JPY30,000 million notes, 3.5% due 2032	2,070	1,971
NIS2,000 million notes, Israeli Consumer Price Index + 4.25% due 2012	4,069	–
	<b>146,939</b>	141,748
	<b>310,341</b>	283,040

Borrowings analysed as:

	2007 HK\$ millions	2006 HK\$ millions
Current portion	50,255	22,070
Long-term portion	260,086	260,970
	<b>310,341</b>	283,040

## 27 Bank and other debts (continued)

Borrowings are repayable as follows:

	2007 HK\$ millions	2006 HK\$ millions
Bank loans		
Current portion	42,250	16,145
After 1 year, but within 2 years	26,738	19,464
After 2 years, but within 5 years	87,031	94,608
After 5 years	20	781
Other loans		
Current portion	134	136
After 1 year, but within 2 years	6,762	885
After 2 years, but within 5 years	400	9,166
After 5 years	67	107
Notes and bonds		
Current portion	7,871	5,789
After 1 year, but within 2 years	667	7,244
After 2 years, but within 5 years	26,782	22,592
After 5 years	111,619	106,123
	<b>310,341</b>	<b>283,040</b>

The bank and other loans of the Group are secured to the extent of HK\$24,367 million (2006 - HK\$30,385 million) of which HK\$10,147 million (2006 - HK\$15,646 million) and HK\$3,878 million (2006 - HK\$13,657 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\$172,961 million (2006 - HK\$146,340 million) bear interest at floating interest rates and borrowings amounting to HK\$137,380 million (2006 - HK\$136,700 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 2007, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK\$84,630 million (2006 - HK\$89,700 million).

In addition, interest rate swap agreements with notional amount of HK\$3,845 million (2006 - HK\$8,650 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 5.1% to 7.6% and were entered for a period of 3 years.

As at 31 December 2007, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$97 million (2006 - HK\$1,365 million) to non-US dollar principal amount of borrowings to match currency exposures of the underlying businesses.

## 27 Bank and other debts (continued)

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

	Carrying amounts		Fair values	
	2007 HK\$ millions	2006 HK\$ millions	2007 HK\$ millions	2006 HK\$ millions
Bank loans	156,039	130,998	156,009	131,003
Other loans	7,363	10,294	7,378	10,449
Notes and bonds	146,939	141,748	150,036	151,891
	<b>310,341</b>	283,040	<b>313,423</b>	293,343

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):

	2007 Percentage	2006 Percentage
HK dollars	12%	14%
US dollars	30%	33%
Euro	35%	31%
British Pounds	11%	8%
Other currencies	12%	14%
	<b>100%</b>	100%

## 28 Interest bearing loans from minority shareholders

	2007 HK\$ millions	2006 HK\$ millions
Interest bearing loans from minority shareholders	12,508	12,030

The carrying amount of the borrowings approximates their fair value.

## 29 Pension plans

	2007 HK\$ millions	2006 HK\$ millions
Defined benefit plans		
Pension assets	542	–
Pension obligations	1,468	2,378
	926	2,378

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 2007 and 31 December 2006 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:

	2007	2006
Discount rate applied to defined benefit plan obligations	3.20% - 6.00%	3.75% - 5.00%
Expected return on plan assets	3.72% - 8.00%	3.40% - 8.00%
Future salary increases	2.00% - 5.00%	2.00% - 4.00%
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.

## 29 Pension plans (continued)

### (a) Defined benefit plans (continued)

The amount recognised in the consolidated balance sheet is determined as follows:

	2007 HK\$ millions	2006 HK\$ millions
Present value of defined benefit obligations	13,151	12,659
Fair value of plan assets	12,175	10,228
	976	2,431
Unrecognised past services costs	(50)	(53)
Net defined benefit plan obligations	926	2,378

Fair value of plan assets of HK\$12,175 million (2006 - HK\$10,228 million) includes investments in the Company's shares with a fair value of HK\$53 million (2006 - HK\$51 million).

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

	2007 HK\$ millions	2006 HK\$ millions
At 1 January	12,659	10,545
Current service cost net of employee contributions	643	640
Actual employee contributions	123	118
Interest cost	589	516
Actuarial losses (gains) on obligation	(781)	18
Gains on curtailments	(79)	(20)
Relating to subsidiaries acquired	217	-
Transfer to other liabilities	(8)	-
Actual benefits paid	(644)	(498)
Exchange differences	432	1,340
At 31 December	13,151	12,659



## 29 Pension plans (continued)

### (a) Defined benefit plans (continued)

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

	2007 HK\$ millions	2006 HK\$ millions
At 1 January	10,228	8,222
Expected return on plan assets	717	571
Actuarial gains on plan assets	600	463
Actual company contributions	678	566
Actual employee contributions	123	118
Relating to subsidiaries acquired	196	–
Assets distributed on settlements	(15)	–
Actual benefits paid	(644)	(498)
Exchange differences	292	786
At 31 December	12,175	10,228

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

	2007 HK\$ millions	2006 HK\$ millions
Current service cost	643	640
Past service cost	8	(53)
Interest cost	589	516
Gains on curtailment	(79)	(20)
Expected return on plan assets	(717)	(571)
Total expense	444	512
Less: expense capitalised	(1)	(3)
Total, included in staff costs	443	509

The actuarial gains recognised in the statement of recognised income and expense in current year was HK\$1,381 million (2006 - HK\$445 million). The cumulative actuarial gains recognised in the statement of recognised income and expense amounted to HK\$486 million (2006 - losses of HK\$908 million).

Fair value of the plan assets are analysed as follows:

	2007 Percentage	2006 Percentage
Equity instruments	55%	57%
Debt instruments	36%	38%
Other assets	9%	5%
	100%	100%

## 29 Pension plans (continued)

### (a) Defined benefit plans (continued)

The experience adjustments are as follows:

	2007 HK\$ millions	2006 HK\$ millions	2005 HK\$ millions	2004 HK\$ millions
Present value of defined benefit obligations	13,151	12,659	10,545	10,401
Fair value of plan assets	12,175	10,228	8,222	7,977
Deficit	976	2,431	2,323	2,424
Experience adjustments on defined benefit obligations	(13)	(18)	(308)	(69)
Experience adjustments on plan assets	648	561	429	51

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 2007. 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 second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2007 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\$36 million (2006 - HK\$31 million) were used to reduce the current year's level of contributions and HK\$5 million was available at 31 December 2007 (2006 - HK\$4 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.

## 29 Pension plans (continued)

### (a) Defined benefit plans (continued)

The Group operates two defined benefit pension plans for part of its retail operations in the United Kingdom. One 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.

The Group's other 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\$704 million (2006 - HK\$529 million). Forfeited contributions totalling HK\$2 million (2006 - HK\$6 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2007 (2006 - nil) to reduce future years' contributions.

## 30 Other non-current liabilities

	2007 HK\$ millions	2006 HK\$ millions
Fair value hedges		
Interest rate swaps	264	3,257
Cash flow hedges		
Cross currency interest rate swaps	22	200
Forward foreign exchange contracts	187	178
Obligations for telecommunications licences and other rights	4,579	2,118
Provisions (See note 26)	877	615
	<b>5,929</b>	<b>6,368</b>

## 31 Share capital

	2007 Number of shares	2006 Number of shares	2007 HK\$ millions	2006 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7-½% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			<b>1,778</b>	<b>1,778</b>
Issued and fully paid:				
Ordinary shares	4,263,370,780	4,263,370,780	1,066	1,066

## 32 Equity

	Share capital	Share premium <sup>(a)</sup>	Exchange reserve	Other reserves <sup>(b)</sup>	Retained profit	Total shareholders' funds	Minority interests	Total equity
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
At 1 January 2007	1,066	28,359	21,801	3,807	218,761	273,794	16,771	290,565
Fair value changes in available-for-sale investments	-	-	-	12,045	-	12,045	305	12,350
Fair value changes arising from business combination	-	-	-	32	-	32	29	61
Fair value adjustment upon transfer from other properties to investment properties	-	-	-	3	-	3	1	4
Valuation released upon disposal of available-for-sale investments	-	-	-	(7,722)	-	(7,722)	(24)	(7,746)
Gain on cash flow hedges	-	-	-	216	-	216	38	254
Transfer to initial carrying amount of non-financial items on cash flow hedges	-	-	-	34	-	34	1	35
Share of other reserve movement of an associated company	-	-	-	-	(7)	(7)	(1)	(8)
Exchange translation differences	-	-	6,788	-	-	6,788	912	7,700
Net actuarial gains of defined benefit plans	-	-	-	-	1,292	1,292	214	1,506
Deferred tax effect on net actuarial gains of defined benefit plans	-	-	-	-	(215)	(215)	(38)	(253)
Net income recognised directly in equity	-	-	6,788	4,608	1,070	12,466	1,437	13,903
Profit after tax	-	-	-	-	30,600	30,600	2,265	32,865
Total recognised income and expense	-	-	6,788	4,608	31,670	43,066	3,702	46,768
Dividends paid relating to 2006	-	-	-	-	(5,201)	(5,201)	-	(5,201)
Dividends paid relating to 2007	-	-	-	-	(2,174)	(2,174)	-	(2,174)
Dividends paid to minority interests	-	-	-	-	-	-	(4,064)	(4,064)
Equity contribution from minority interests	-	-	-	-	-	-	438	438
Capitalisation of loan from minority interests	-	-	-	-	-	-	1,099	1,099
Share option scheme	-	-	-	76	-	76	104	180
Share option lapsed	-	-	-	(8)	8	-	-	-
Unclaimed dividends write back	-	-	-	-	8	8	-	8
Relating to subsidiary companies acquired	-	-	-	-	-	-	29,595	29,595
Relating to partial disposal of subsidiary companies	-	-	432	-	-	432	994	1,426
Relating to disposal of an associated company and jointly controlled entities	-	-	(67)	80	-	13	5	18
At 31 December 2007	1,066	28,359	28,954	8,563	243,072	310,014	48,644	358,658

## 32 Equity (continued)

	Share capital	Share premium <sup>(a)</sup>	Exchange reserve	Other reserves <sup>(b)</sup>	Retained profit	Total shareholders' funds	Minority interests	Total equity
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	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
Net actuarial gains of defined benefit plans	–	–	–	–	606	606	30	636
Deferred tax effect on net actuarial gains 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

- (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 2007, revaluation reserve surplus amounted to HK\$8,145 million (1 January 2007 - HK\$3,787 million and 1 January 2006 - HK\$1,291 million), hedging reserve surplus amounted to HK\$167 million (1 January 2007 - deficit of HK\$163 million and 1 January 2006 - deficit of HK\$40 million) and other capital reserves surplus amounted to HK\$251 million (1 January 2007 - HK\$183 million and 1 January 2006 - HK\$154 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\$2,749 million (2006 - HK\$35 million) and HK\$1,197 million (2006 - HK\$588 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\$96 million (2006 - HK\$156 million) and HK\$9 million (2006 - HK\$13 million) respectively.

## 32 Equity (continued)

### Capital management

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

At 31 December 2007, total equity amounted to HK\$358,658 million (2006 - HK\$290,565 million), and consolidated net debt of the Group, excluding loans from minority shareholders which are viewed as quasi equity, was HK\$129,842 million (2006 - HK\$152,638 million). The Group's net debt to net total capital ratio decreased to 26% from 33% at the end of last year.

As additional information, the following table shows the net debt to net capital ratio calculated on the basis of including loans from minority shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the balance sheet date.

Net debt/Net total capital ratios<sup>a</sup> at 31 December

	2007	2006
A1 - excluding loans from minority shareholders from debt	26%	33%
A2 - as in A1 above and investments in listed subsidiaries and associated companies marked to market value	21%	27%
B1 - including loans from minority shareholders from debt	28%	36%
B2 - as in B1 above and investments in listed subsidiaries and associated companies marked to market value	23%	29%

- a Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total bank and other debts plus total equity and loans from minority shareholders net of total cash, liquid funds and other listed investments as shown on the Consolidated Cash Flow Statement.

### 33 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, 3 Group telecommunications expensed CACs<sup>a</sup> and changes in working capital

	2007 HK\$ millions	2006 HK\$ millions
<b>Profit after tax</b>	<b>32,865</b>	22,626
Adjustments for:		
Current tax charge	2,768	1,560
Deferred tax charge	1,651	1,417
Interest and other finance costs	19,054	16,601
Change in fair value of investment properties	(1,988)	(2,843)
Depreciation and amortisation	38,872	33,091
Non-cash items included in profit (loss) on disposal of investments and others	13,216	1,841
Share of associated companies' and jointly controlled entities'		
Minority interests	365	764
Current tax charge	2,532	3,273
Deferred tax charge	1,579	901
Interest and other finance costs	3,446	3,745
Change in fair value of investment properties	(7)	(959)
Depreciation and amortisation	9,220	9,342
<b>EBITDA<sup>b</sup></b>	<b>123,573</b>	91,359
3 Group telecommunications expensed CACs	5,732	5,494
<b>EBITDA before 3 Group telecommunications expensed CACs</b>	<b>129,305</b>	96,853
Share of EBITDA of associated companies and jointly controlled entities	(68,295)	(31,613)
Profit on disposal of unlisted investments	(14)	(121)
Loss (profit) on disposal of fixed assets, leasehold land and investment properties	54	(605)
Dividends received from associated companies and jointly controlled entities	23,412	6,554
Distribution from property jointly controlled entities	2,685	1,875
Profit on disposal of subsidiary and associated companies and jointly controlled entities	(2,202)	(24,873)
Other non-cash items	1,461	1,026
	<b>86,406</b>	49,096

a CACs represents customer acquisition costs and contract customer retention 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.

33 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

	2007 HK\$ millions	2006 HK\$ millions
Decrease in inventories	508	505
Increase in debtors and prepayments	(9,840)	(5,944)
Increase in creditors	4,008	6,148
Other non-cash items	1,180	311
	<b>(4,144)</b>	1,020

(c) Purchase of subsidiary companies

	2007		2006
	Book value HK\$ millions	Fair value HK\$ millions	Fair value HK\$ millions
Aggregate net assets acquired at acquisition date:			
Fixed assets	20,211	20,232	1,320
Investment properties	–	–	23
Leasehold land	237	409	2,164
Telecommunications licences	4,566	4,566	–
Telecommunications postpaid CACs	368	368	–
Goodwill	4,728	5,282	–
Brand names and other rights	4,660	4,660	925
Associated companies	2	2	31
Deferred tax assets	371	371	–
Liquid funds and other listed investments	444	444	–
Inventories	457	457	364
Cash and cash equivalents	45,757	45,757	654
Trade and other receivables	5,951	5,951	521
Bank and other debts	(18,373)	(18,373)	(1,356)
Pension obligations	(21)	(21)	–
Other non-current liabilities	(3,085)	(3,085)	–
Creditors and current tax liabilities	(7,827)	(7,827)	(1,091)
Deferred tax liabilities	(983)	(1,031)	(163)
Loans from minority shareholders	(272)	(272)	(45)
Minority interests	(29,765)	(29,815)	(735)
	<b>27,426</b>	<b>28,075</b>	2,612
Goodwill arising on acquisition		67	1,800
		<b>28,142</b>	4,412
Less: Cost of investments just prior to purchase		(27,733)	(119)
Discharged by cash payment		409	4,293



### 33 Notes to consolidated cash flow statement (continued)

#### (c) Purchase of subsidiary companies (continued)

	2007		2006
	Book value HK\$ millions	Fair value HK\$ millions	Fair value HK\$ millions
Net cash outflow (inflow) arising from acquisition:			
Cash payment		409	4,293
Deferred consideration paid		–	120
Total consideration		409	4,413
Cash and cash equivalents acquired		(45,757)	(654)
Total net cash consideration		(45,348)	3,759

Included in the net assets acquired above is acquisition of HTIL. The contribution to the Group's revenue and profit or loss from this subsidiary company acquired since the date of acquisition are disclosed in note 4.

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.

#### *Acquisition of HTIL*

In June 2007, the Group increased its interest in HTIL from 49.75% to over 50% through the on-market purchases of an aggregate of 12 million HTIL shares representing approximately 0.251% of the then issued share capital of HTIL. The transaction resulted in HTIL ceasing to be an associated company and becoming a subsidiary company of the Group.

### 33 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

The net assets of HTIL acquired and the goodwill arising, are as follows:

	At acquisition date	
	Fair value HK\$ millions	Acquiree's carrying amount HK\$ millions
Net assets acquired:		
Fixed assets	19,592	19,592
Leasehold land	6	6
Telecommunications licences	4,566	4,566
Telecommunications postpaid CACs	368	368
Goodwill	5,282	4,728
Brand names and other rights	4,660	4,660
Associated companies	2	2
Deferred tax assets	371	371
Liquid funds and other listed investments	444	444
Inventories	452	452
Cash and cash equivalents	45,564	45,564
Trade and other receivables	5,893	5,893
Bank and other debts	(18,373)	(18,373)
Pension obligations	(21)	(21)
Other non-current liabilities	(3,085)	(3,085)
Creditors and current tax liabilities	(7,795)	(7,795)
Deferred tax liabilities	(983)	(983)
Loans from minority shareholders	(272)	(272)
Minority interests	(29,389)	(29,389)
	27,282	26,728
Goodwill arising on acquisition	67	
	27,349	
Less: Cost of investments immediately prior to purchase	(27,225)	
Discharged by cash payment	124	
Net cash inflow arising from acquisition:		
Cash payment	124	
Cash and cash equivalents acquired	(45,564)	
Total net cash consideration	(45,440)	

The goodwill can be attributable to the anticipated profitability of the acquired business and the anticipated future operating synergies from the combination.

### 33 Notes to consolidated cash flow statement (continued)

#### (d) Disposal of subsidiary companies

	2007 HK\$ millions	2006 HK\$ millions
Aggregate net assets (liabilities) disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	35	673
Leasehold land	–	48
Inventories	66	31
Trade and other receivables	358	57
Bank and other debts	(79)	–
Other non-current liabilities	(46)	–
Creditors and current tax liabilities	(637)	(58)
Deferred tax	–	(2)
Loans from minority shareholders	–	(2)
Minority interests	–	(320)
Reserves	17	(4)
	<b>(286)</b>	423
Profit on disposal	<b>1,181</b>	127
	<b>895</b>	550
Satisfied by:		
Cash and cash equivalents received as consideration	<b>1,154</b>	1,020
Less: Cash and cash equivalents sold	<b>(259)</b>	(470)
Total net cash consideration	<b>895</b>	550

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2007.

#### (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.

### 34 Share-based payments

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

### 35 Pledge of assets

At 31 December 2007, assets of the Group totalling HK\$30,700 million (2006 - HK\$91,788 million) were pledged as security for bank and other loans and certain performance guarantees of the Group. At 31 December 2006, the shares of H3G S.p.A. owned by the Group were pledged as security for its project financing facilities and the assets of H3G S.p.A. amounted to approximately HK\$81,007 million at that date. Subsequently, in January 2007, the project financing facilities of H3G S.p.A. were refinanced and the shares are no longer pledged as security under a new replacement syndicated bank loan.

### 36 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities of HK\$7,352 million (2006 - HK\$14,459 million).

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

	2007 HK\$ millions	2006 HK\$ millions
To associated companies		
Telecommunications businesses	–	8,141
Other businesses	2,522	–
	<b>2,522</b>	<b>8,141</b>
To jointly controlled entities		
Property businesses	2,996	3,213
Other businesses	1,172	1,968
	<b>4,168</b>	<b>5,181</b>

At 31 December 2007, the Group had provided performance and other guarantees of HK\$9,390 million (2006 - HK\$5,681 million) primarily for telecommunications businesses.

### 37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2007 are as follows:

#### Capital commitments

1. Contracted for:

- i. Container terminals, Hong Kong - HK\$60 million (2006 - nil)
- ii. Container terminals, Mainland China - HK\$2,422 million (2006 - HK\$4,412 million)
- iii. Container terminals, others - HK\$3,620 million (2006 - HK\$1,771 million)
- iv. Telecommunications - 3 Group - HK\$5,840 million (2006 - HK\$4,984 million)
- v. Telecommunications - HK\$3,070 million (2006 - nil)
- vi. Investment properties outside Hong Kong - HK\$2 million (2006 - nil)
- vii. Investment in Joint Venture outside Hong Kong - HK\$830 million (2006 - HK\$13 million)
- viii. Other fixed assets - HK\$664 million (2006 - HK\$43 million)

2. Authorised but not contracted for:

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

- i. Container terminals, Hong Kong - HK\$380 million (2006 - HK\$219 million)
- ii. Container terminals, Mainland China - HK\$4,750 million (2006 - HK\$1,997 million)
- iii. Container terminals, others - HK\$14,997 million (2006 - HK\$8,145 million)
- iv. Telecommunications - 3 Group - HK\$11,656 million (2006 - HK\$10,609 million)
- v. Telecommunications - HK\$4,673 million (2006 - nil)
- vi. Investment properties outside Hong Kong - HK\$949 million (2006 - HK\$1,025 million)
- vii. Investment in Joint Venture outside Hong Kong - HK\$176 million (2006 - HK\$278 million)
- viii. Other fixed assets - HK\$8,066 million (2006 - HK\$2,852 million)

## 37 Commitments *(continued)*

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

Established Businesses

1. In the first year - HK\$8,075 million (2006 - HK\$6,622 million)
2. In the second to fifth years inclusive - HK\$21,329 million (2006 - HK\$19,494 million)
3. After the fifth year - HK\$46,122 million (2006 - HK\$43,096 million)

Telecommunications - 3 Group

1. In the first year - HK\$2,495 million (2006 - HK\$2,008 million)
2. In the second to fifth years inclusive - HK\$7,213 million (2006 - HK\$5,805 million)
3. After the fifth year - HK\$11,847 million (2006 - HK\$11,086 million)

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

Established Businesses

1. In the first year - HK\$422 million (2006 - HK\$182 million)
2. In the second to fifth years inclusive - HK\$312 million (2006 - HK\$320 million)
3. After the fifth year - HK\$142 million (2006 - HK\$203 million)

Telecommunications - 3 Group

1. In the first year - HK\$27 million (2006 - HK\$33 million)
2. In the second to fifth years inclusive - HK\$71 million (2006 - HK\$91 million)
3. After the fifth year - HK\$223 million (2006 - HK\$101 million)

Other commitments

3G handsets - HK\$1,601 million (2006 - HK\$2,794 million)

## 38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 18 and 19 are unsecured. Balances totalling HK\$3,091 million (2006 - HK\$2,145 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 2007, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK\$22,509 million (2006 - HK\$21,674 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\$2,996 million (2006 - HK\$3,213 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 6.

## 39 Legal proceedings

As at 31 December 2007, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

#### 40 Subsequent events

Subsequent to the year end, the Group increased its shareholdings in HTIL to 59.33% by acquisition of a further 9.22% of HTIL's issued share capital for a total cash consideration of HK\$4,851 million.

Subsequent to the year end, HTIL, a 59.33% owned listed subsidiary of the Group, announced that its 60% owned subsidiary, PT. Hutchison CP Telecommunications ("HCPT"), has entered into a conditional agreement with a third party (the "Third Party") for the sale of certain mobile telecommunications tower assets in Indonesia ("Assets") for a cash consideration of up to US\$500 million (approximately HK\$3,882 million). Completion of the sale is expected to occur in tranches over a two-year period. Concurrent with the sale, HCPT has entered into an agreement with the Third Party to lease the Assets from the Third Party. On the bases that the sale of the Assets is treated as a sale of all the Assets and the lease with the Third Party is treated as an operating lease, HTIL expects to realise a disposal gain, subject to audit, of US\$236 million (approximately HK\$1,832 million) from the sale.

#### 41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK\$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2007, 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.

#### 42 Approval of accounts

The accounts set out on pages 121 to 203 were approved by the Board of Directors on 27 March 2008.

#### 43 Profit before tax

(a) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in profit or loss includes the following items:

	2007 HK\$ millions	2006 HK\$ millions
Change in fair value of financial assets at fair value through profit or loss	(36)	(24)
Gains (losses) arising on derivatives in a designated fair value hedge	3,428	(534)
Gains (losses) arising on adjustment for hedged item in a designated fair value hedge	(3,428)	534
Interest income on available-for-sale financial assets	1,957	1,817

## 43 Profit before tax (continued)

- (b) 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:

	2007 HK\$ millions	2006 HK\$ millions
<b>Credits:</b>		
Share of profits less losses of associated companies		
Listed	46,788	9,004
Unlisted	1,034	2,468
	<b>47,822</b>	11,472
Share of gross rental income of associated companies and jointly controlled entities	562	591
Gross rental income from investment properties held by:		
Listed subsidiary - Hutchison Harbour Ring Limited	284	243
Other subsidiaries (excluding Hutchison Harbour Ring Limited)	2,467	2,216
Less: intra group rental income	(271)	(269)
	<b>2,480</b>	2,190
Less: related outgoings	(80)	(106)
Net rental income of subsidiary companies	<b>2,400</b>	2,084
Dividend and interest income from managed funds and other investments		
Listed	2,197	1,984
Unlisted	217	200
<b>Charges:</b>		
Depreciation and amortisation		
Fixed assets	17,616	13,883
Telecommunications licences	5,617	5,766
Telecommunications postpaid CACs	13,522	11,721
Leasehold land	986	956
Brand names and other rights	1,131	765
	<b>38,872</b>	33,091
Inventories write off	1,747	1,596
Operating leases		
Properties	12,943	10,363
Hire of plant and machinery	675	288
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	199	184
- other auditors	19	20
Non-audit work - PricewaterhouseCoopers	34	25
- other auditors	28	45

## 44 Financial risk management

The Group's major financial instruments include cash and cash equivalents, 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 fluctuation 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 cautiously uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

### (a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing. Total cash, liquid funds and other listed investments that the Group has at its disposal at 31 December 2007 to meet funding needs amounted to HK\$180,499 million (2006 - HK\$130,402 million).

### (b) Interest rate exposure

The Group's main interest risk exposures relate to US dollar, British pound, 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 27.

At 31 December 2007, approximately 56% (2006 - approximately 51%) of the Group's principal amount of borrowings were at floating rates and the remaining 44% (2006 - approximately 49%) were at fixed rates. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK\$84,630 million (2006 - approximately HK\$89,700 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$3,845 million (2006 - HK\$8,650 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 82% (2006 - approximately 79%) of the Group's principal amount of borrowings were at floating rates and the remaining 18% (2006 - approximately 21%) were at fixed rates at 31 December 2007.

### (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 with a view to refinancing these businesses with local currency borrowings in the future when conditions are appropriate. Exposure to movements in exchange rates for 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). 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\$6,788 million (2006 - HK\$15,416 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.



## 44 Financial risk management (continued)

### (c) Foreign currency exposure (continued)

At 31 December 2007, the Group had currency swap arrangements and foreign exchange forward contracts with banks to swap US dollar principal amount of borrowings equivalent to HK\$97 million to non-US dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's borrowings, excluding loans from minority shareholders and after taking into consideration these currency swaps, are denominated as follows: 12% in HK dollars, 30% in US dollars, 11% in British pounds, 35% in Euro and 12% in other currencies. During 2007, HTIL provided inter-company loans to its Thailand operations in US dollar totaling HK\$9,327 million to fully repay six outstanding commercial loan facilities with international lenders. In December 2006 the Bank of Thailand imposed unremunerated reserve requirements on the conversion of foreign currency to Thai baht, subsequently removed on 3 March 2008. This affected HTIL's ability to freely convert the US dollar proceeds into Thai baht. To receive exemption from the unremunerated reserve requirement, HTIL entered into foreign exchange swap contracts with various banks in Thailand. At 31 December 2007, HTIL had US\$ 1,095 million outstanding under these foreign exchange swap contracts where HTIL has commitments to sell Thai baht and buy US dollar at pre-agreed rates.

### (d) Credit exposure

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

The Group is also exposed to credit risk from its operating activities. At the level of operations, the outstanding debt is continuously monitored in each area, i.e. locally.

### (e) Market price risk

The Group's main market price risk exposures relate to the Group's holdings of managed funds and other liquid investments. The Group controls its market price risk through diversification of the portfolio. Diversification of the portfolio is done in accordance with approved limits which are regularly reviewed by the Group.

### (f) Market risks sensitivity analyses

For the presentation of market risks (including interest rate risk, exchange rate risk and market price risk), HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the balance sheet date on profit or loss and total equity.

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

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

## 44 Financial risk management (continued)

### (f) Market risks sensitivity analyses (continued)

#### (i) Interest rate sensitivity analysis

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

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

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

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

- profit for the year would decrease by HK\$1,838 million (2006 - HK\$2,028 million) due to increase in interest expense;
- total equity would decrease by HK\$1,838 million (2006 - HK\$2,028 million) due to increase in interest expense; and
- total equity would decrease by HK\$454 million (2006 - HK\$795 million) mainly due to decrease in value of available-for-sales investments.

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

Currency risk as defined by HKFRS 7 arises on financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. Differences resulting from the translation of financial statements of oversea subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

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

Major non-derivative monetary financial instruments (liquid funds and other listed investments) are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward currency contracts. Exchange fluctuations of these monetary financial instruments therefore have no material effects on profit or loss and total equity.

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

## 44 Financial risk management *(continued)*

### (f) Market risks sensitivity analyses *(continued)*

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

Under these assumptions, the impact of a hypothetical 10% weakening of HK dollar against all exchange rates at the balance sheet date, with all other variables held constant, on the Group's profit or loss and total equity is set out in the table below.

	2007		2006	
	Hypothetical increase (decrease) in profit or loss HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions	Hypothetical increase (decrease) in profit or loss HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions
EURO	(28)	(28)	24	24
GBP	17	(273)	(59)	(303)
AUD	209	461	208	345
RMB	488	499	307	322
USD	7,755	7,763	3,984	3,984
Japanese Yen	(411)	(411)	(115)	(115)

The above what-if analyses are presented solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments.

As mention above, for purpose of HKFRS 7, currency risk does not arise from financial instruments that are denominated in the entity's functional currency and are therefore excluded from the above foreign currency exchange rate what-if sensitivity analysis. For illustration purposes, GBP denominated loans and deposits held by a UK company are excluded from the above analysis.

Further information on the Group's financial instruments are set out in notes 22 and 27 and also in the section "Group Capital Resources and Liquidity" set out on pages 58 to 62 of the Annual Report.

#### (iii) Market price sensitivity analysis

If the market prices have been 10% higher while all other variables are held constant:

- profit for the year would increase by HK\$ 104 million (2006 - HK\$ 106 million) due to increase in gains on financial assets measured at fair value through profit or loss;
- total equity would increase by HK\$ 104 million (2006 - HK\$ 106 million) due to increase in gains on financial assets measured at fair value through profit or loss; and
- total equity would increase by HK\$ 6,396 million (2006 - HK\$ 6,142 million) due to increase in gains on available-for-sale investments.

#### 44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

	Carrying amounts HK\$ millions	Total undiscounted cash flows HK\$ millions	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions
<b>2007</b>					
Trade payables	27,206	27,206	27,206	–	–
Other payables and accruals	53,145	53,145	53,145	–	–
Interest free loans from minority shareholders	3,088	3,088	3,088	–	–
Bank loans	156,039	156,445	42,282	114,143	20
Other loans	7,363	7,379	134	7,178	67
Notes and bonds	146,939	147,455	7,871	27,504	112,080
Interest bearing loans from minority shareholders	12,508	12,508	42	8,696	3,770
Fair value hedges - interest rate swap (net settled)	267	339	267	(14)	86
	<b>406,555</b>	<b>407,565</b>	<b>134,035</b>	<b>157,507</b>	<b>116,023</b>

	Total undiscounted cash flows HK\$ millions	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions
<b>2007</b>				
Derivative settled gross:				
Cash flow hedges - cross currency interest rate swap				
- Inflow	159	65	94	–
- Outflow	(120)	(48)	(72)	–
Cash flow hedges - forward foreign exchange contracts				
- Inflow	6,682	2,602	4,080	–
- Outflow	(6,956)	(2,609)	(4,347)	–

## 44 Financial risk management (continued)

### (g) Contractual maturities of financial liabilities (continued)

	Carrying amounts HK\$ millions	Total undiscounted cash flows HK\$ millions	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions
2006					
Trade payables	21,023	21,023	21,023	–	–
Other payables and accruals	41,652	41,652	41,652	–	–
Interest free loans from minority shareholders	2,318	2,318	2,318	–	–
Bank loans	130,998	131,355	16,150	114,424	781
Other loans	10,294	10,446	140	10,198	108
Notes and bonds	141,748	145,712	5,850	30,649	109,213
Interest bearing loans from minority shareholders	12,030	12,030	69	11,367	594
Fair value hedges - interest rate swap (net settled)	3,318	4,138	1,122	2,270	746
	363,381	368,674	88,324	168,908	111,442

	Total undiscounted cash flows HK\$ millions	Within 1 year HK\$ millions	After 1 year, but within 5 years HK\$ millions	After 5 years HK\$ millions
2006				
Derivative settled gross:				
Cash flow hedges - cross currency interest rate swap				
- Inflow	91	15	76	–
- Outflow	(200)	–	(200)	–
Cash flow hedges - forward foreign exchange contracts				
- Inflow	5,179	2,134	3,045	–
- Outflow	(5,497)	(2,223)	(3,274)	–

## 45 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 2007 is set out as follows:

	2007 HK\$ millions	2006 HK\$ millions
<b>Assets</b>		
Non-current assets		
Subsidiary companies - Unlisted shares <sup>(a)</sup>	34,705	18,668
Current assets		
Cash at bank	–	5
Amounts due from subsidiary companies <sup>(b)</sup>	53,497	62,390
Dividends and other receivables from subsidiary companies	9,007	7,500
	<b>62,504</b>	69,895
Current liabilities		
Bank overdrafts	2	–
Other payables and accruals	116	137
	<b>118</b>	137
Net current assets	<b>62,386</b>	69,758
<b>Net assets</b>	<b>97,091</b>	88,426
<b>Capital and reserves</b>		
Share capital (See note 31)	1,066	1,066
Reserves <sup>(c)</sup>	96,025	87,360
<b>Shareholders' funds</b>	<b>97,091</b>	88,426

**Fok Kin-ning, Canning**  
Director

**Frank John Sixt**  
Director

## 45 Balance sheet of the Company, unconsolidated (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 198 to 203.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves

	Share premium HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
At 1 January 2006	28,359	58,869	87,228
Profit for the year	–	7,472	7,472
Unclaimed dividend paid 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	<b>28,359</b>	<b>59,001</b>	<b>87,360</b>
Profit for the year	–	<b>16,032</b>	<b>16,032</b>
Unclaimed dividend paid write back	–	<b>8</b>	<b>8</b>
Dividends paid relating to 2006	–	<b>(5,201)</b>	<b>(5,201)</b>
Dividends paid relating to 2007	–	<b>(2,174)</b>	<b>(2,174)</b>
At 31 December 2007	<b>28,359</b>	<b>67,666</b>	<b>96,025</b>

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated borrowings included in note 27 totalling HK\$310,341 million (2006 - HK\$283,040 million), the Company has guaranteed a total of HK\$245,322 million (2006 - HK\$230,229 million) which has been borrowed in the name of subsidiary companies.
- (f) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and jointly controlled entities totalling HK\$470 million (2006 - HK\$8,718 million). This amount has been included in the Group's contingent liabilities disclosed in note 36.
- (g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK\$16,032 million (2006 - HK\$7,472 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.
- (h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2007 amounting to HK\$67,666 million (2006 - HK\$59,001 million).