

# Notes to the Accounts

## 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 2008 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 2008 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 <sup>1</sup> / <sub>3</sub> - 33 <sup>1</sup> / <sub>3</sub> %
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 and loss account.

### (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 and loss account.

### (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 and loss account on a straight-line basis over the period of the lease.

### (h) Telecommunications licences

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

Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected contracted or expected licence periods ranging from approximately 11 to 35 years and are stated net of accumulated amortisation.

### (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").

## 1 Significant accounting policies *(continued)*

### (j) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

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

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

### (k) Brand names and other rights

The payments made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with 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. These investments are classified and accounted for as follows:

#### *Loans and receivables*

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in profit and loss account.

#### *Held-to-maturity investments*

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in profit and loss account.

#### *Financial assets at fair value through profit or loss*

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in profit and loss account in the period in which they arise. At each balance sheet date subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interest earned on these financial assets are recognised in profit and loss account.

### 1 Significant accounting policies *(continued)*

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

##### *Available-for-sale investments*

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to profit and loss account. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit and loss account. 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 investment revaluation reserve is removed from investment revaluation reserve and recognised in profit and loss account.

#### (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 derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in profit and loss account as interest and other finance costs. At the same time the carrying amount of the hedged asset or liability in the balance sheet is adjusted for the changes in fair value.

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

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

#### (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 and loss account when there is objective evidence that the asset is impaired.

#### (p) Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans.

## 1 Significant accounting policies *(continued)*

### (q) Inventories

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

### (r) Cash and cash equivalents

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

### (s) Borrowings and borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss account 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 in equity 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 and loss account. All other leases are accounted for as operating leases and the rental payments are charged to profit and loss account on accrual basis.

### 1 Significant accounting policies *(continued)*

#### (x) Asset impairment

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

#### (y) Pension plans

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

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. 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 government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full in the year in which they occur, outside profit and loss account, in reserves.

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

Pension costs are charged against profit and loss account 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 for the year.

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 and loss account. 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 and loss account.

## 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 and have not been early adopted by the Group:

HKFRSs (Amendments) <sup>(1)</sup>	Improvements to HKFRSs
HKAS 1 (Revised) <sup>(2)</sup>	Presentation of Financial Statements
HKAS 23 (Revised) <sup>(2)</sup>	Borrowing Costs
HKAS 27 (Revised) <sup>(3)</sup>	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments) <sup>(2)</sup>	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment) <sup>(3)</sup>	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments) <sup>(2)</sup>	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment) <sup>(2)</sup>	Vesting Conditions and Cancellations
HKFRS 3 (Revised) <sup>(3)</sup>	Business Combinations
HKFRS 7 (Amendments) <sup>(2)</sup>	Improving Disclosures about Financial Instruments
HKFRS 8 <sup>(2)</sup>	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments) <sup>(3)</sup>	Embedded Derivatives
HK(IFRIC)-Int 13 <sup>(2)</sup>	Customer Loyalty Programmes
HK(IFRIC)-Int 15 <sup>(2)</sup>	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16 <sup>(2)</sup>	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17 <sup>(3)</sup>	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18 <sup>(3)</sup>	Transfers of Assets from Customers

(1) Effective for the Group for annual periods beginning 1 January 2009 except the amendments to HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" which is effective for the Group for annual periods beginning 1 January 2010

(2) Effective for the Group for annual periods beginning 1 January 2009

(3) Effective for the Group for annual periods beginning 1 January 2010

The adoption of standards, amendments and interpretations listed above with the exception of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 in future periods is not expected to result in substantial changes to the Group's accounting policies.

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretation occurring on or after 1 January 2010.

### 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.



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

### (a) Long-lived assets

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

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

Assets that have an indefinite useful life are tested for impairment annually. 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 and loss account 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.

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

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 2008 and 31 December 2007 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 2008 and 31 December 2007 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 contents, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

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

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

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 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 telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industry growth or our expectation of the Group's 3G businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 11%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

#### (b) Depreciation and amortisation

##### *(i) Fixed assets*

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

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

##### *(ii) Telecommunications licences*

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service.

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

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 and loss account.

##### *(iii) 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 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.

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.

## 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 2008 and 31 December 2007 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. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industries' growth or our expectation of these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 11%. 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 and loss account.

### (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 and loss account.

### 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 and loss account 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 previously 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 and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. 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 government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full in the year in which they occur, outside profit and loss account, 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.

#### (g) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in Note 1(w). Determining whether a lease transaction is a finance lease or an operating lease requires judgment as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the balance sheet as set out in Note 1(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in profit and loss account immediately (operating lease).

### 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:

	2008 HK\$ millions	2007 HK\$ millions
Sales of goods	104,112	100,381
Rendering of services	125,148	110,811
Interest	5,842	7,113
Dividends	359	421
	<b>235,461</b>	218,726

### 4 Segment information

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

Finance & Investments represents returns earned on the Group's holdings of cash and liquid investments. Others includes Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring ("HHR") and listed associate Tom Group and others. Prior year segment information that is presented for comparative purposes has been restated accordingly. Telecommunications - 3 Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway, Ireland and Australia.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK\$58 million (2007 - HK\$57 million), Property and hotels is HK\$336 million (2007 - HK\$307 million), Finance & Investments is HK\$3 million (2007 - HK\$3 million), Hutchison Telecommunications International is HK\$125 million (2007 - HK\$82 million) and Others is HK\$504 million (2007 - HK\$1,115 million).

#### Business segment

	Revenue							
	Company and Subsidiaries	Associates and JCE	2008 Total		Company and Subsidiaries	Associates and JCE	2007 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	34,872	4,722	39,594	14%	33,207	4,684	37,891	15%
Property and hotels	5,445	5,022	10,467	4%	5,317	4,234	9,551	4%
Retail	98,946	19,541	118,487	41%	94,663	15,344	110,007	44%
Cheung Kong Infrastructure	2,875	16,993	19,868	7%	2,403	14,848	17,251	7%
Husky Energy	-	63,350	63,350	22%	-	39,781	39,781	16%
Finance & Investments	3,836	467	4,303	1%	5,080	431	5,511	2%
Hutchison Telecommunications International	24,674	3	24,677	9%	12,618	8,161	20,779	8%
Others	4,981	2,266	7,247	2%	6,014	2,081	8,095	4%
Subtotal - Established businesses	175,629	112,364	287,993	100%	159,302	89,564	248,866	100%
<b>TELECOMMUNICATIONS - 3 Group</b>	59,832	540	60,372		59,424	485	59,909	
	235,461	112,904	348,365		218,726	90,049	308,775	

## 4 Segment information (continued)

## Business segment (continued)

	EBIT (LBIT) <sup>(b)</sup>							
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2008 Total HK\$ millions	% <sup>(a)</sup>	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2007 Total HK\$ millions	% <sup>(a)</sup>
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	11,403	1,833	13,236	24%	11,118	1,731	12,849	23%
Property and hotels <sup>(c)</sup>	4,999	3,088	8,087	15%	2,807	1,253	4,060	7%
Retail	3,392	982	4,374	8%	2,889	822	3,711	7%
Cheung Kong Infrastructure	10	7,394	7,404	13%	797	6,556	7,353	13%
Husky Energy	–	13,316	13,316	24%	–	10,523	10,523	19%
Finance & Investments <sup>(d)</sup>	5,913	554	6,467	11%	13,371	573	13,944	25%
Hutchison Telecommunications International <sup>(e)</sup>	3,516	(10)	3,506	6%	1,523	1,695	3,218	6%
Others	(588)	(203)	(791)	-1%	(188)	95	(93)	–
<b>EBIT – Established businesses <sup>(b)</sup></b>	<b>28,645</b>	<b>26,954</b>	<b>55,599</b>	<b>100%</b>	<b>32,317</b>	<b>23,248</b>	<b>55,565</b>	<b>100%</b>
<b>TELECOMMUNICATIONS – 3 Group <sup>(f)</sup></b>								
EBIT before depreciation, amortisation and telecommunications expensed CACs	19,179	158	19,337		18,339	67	18,406	
Telecommunications expensed CACs	(3,457)	–	(3,457)		(5,732)	–	(5,732)	
EBIT before depreciation and amortisation and after telecommunications expensed CACs	15,722	158	15,880		12,607	67	12,674	
Depreciation	(9,123)	(114)	(9,237)		(11,139)	(60)	(11,199)	
Amortisation of licence fees and other rights	(5,500)	–	(5,500)		(6,143)	–	(6,143)	
Amortisation of telecommunications postpaid CACs	(12,000)	–	(12,000)		(13,270)	–	(13,270)	
<b>EBIT (LBIT) – Telecommunications – 3 Group <sup>(b)</sup></b>	<b>(10,901)</b>	<b>44</b>	<b>(10,857)</b>		<b>(17,945)</b>	<b>7</b>	<b>(17,938)</b>	
Change in fair value of investment properties	672	152	824		1,988	7	1,995	
Profit (loss) on disposal of investments and others (See note 5)	3,458	3,122	6,580		(11,182)	35,820	24,638	
<b>EBIT</b>	<b>21,874</b>	<b>30,272</b>	<b>52,146</b>		<b>5,178</b>	<b>59,082</b>	<b>64,260</b>	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,222)	(3,222)		–	(3,446)	(3,446)	
Current tax	–	(3,886)	(3,886)		–	(2,532)	(2,532)	
Deferred tax	–	(2,256)	(2,256)		–	(1,579)	(1,579)	
Minority interests	–	22	22		–	(365)	(365)	
	<b>21,874</b>	<b>20,930</b>	<b>42,804</b>		<b>5,178</b>	<b>51,160</b>	<b>56,338</b>	

#### 4 Segment information (continued)

##### Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2008 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2007 Total HK\$ millions
<b>ESTABLISHED BUSINESSES</b>						
Ports and related services	3,410	556	3,966	3,200	536	3,736
Property and hotels	289	151	440	302	158	460
Retail	2,086	379	2,465	2,117	325	2,442
Cheung Kong Infrastructure	125	1,959	2,084	124	1,988	2,112
Husky Energy	–	5,744	5,744	–	5,058	5,058
Finance & Investments	72	–	72	78	–	78
Hutchison Telecommunications International	4,715	–	4,715	2,379	980	3,359
Others	127	422	549	120	115	235
Subtotal - Established businesses	10,824	9,211	20,035	8,320	9,160	17,480
<b>TELECOMMUNICATIONS - 3 Group</b>	26,623	114	26,737	30,552	60	30,612
	37,447	9,325	46,772	38,872	9,220	48,092

## 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	2008 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>					
Ports and related services	9,502	—	—	—	9,502
Property and hotels	89	—	—	—	89
Retail	1,686	—	—	—	1,686
Cheung Kong Infrastructure	92	—	—	—	92
Husky Energy	—	—	—	—	—
Finance & Investments	14	—	—	—	14
Hutchison Telecommunications International	4,390	—	129	817	5,336
Others	84	—	—	—	84
Subtotal - Established businesses	15,857	—	129	817	16,803
<b>TELECOMMUNICATIONS - 3 Group</b> <sup>(9)</sup>	11,921	384	421	16,935	29,661
	27,778	384	550	17,752	46,464

	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	50	—	—	—	50
Hutchison Telecommunications International	3,316	—	36	346	3,698
Others	102	—	—	—	102
Subtotal - Established businesses	14,987	—	36	346	15,369
<b>TELECOMMUNICATIONS - 3 Group</b> <sup>(9)</sup>	13,969	86	536	11,479	26,070
	28,956	86	572	11,825	41,439



## 4 Segment information (continued)

### Business segment (continued)

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets <sup>(b)</sup>	Deferred tax assets	Investments in associated companies and interests in joint ventures	2008 Total assets	Segment assets <sup>(b)</sup>	Deferred tax assets	Investments in associated companies and interests in joint ventures	2007 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	94,281	363	12,759	107,403	91,308	157	10,996	102,461
Property and hotels	49,918	107	26,992	77,017	49,056	9	23,116	72,181
Retail	47,409	391	2,791	50,591	52,056	400	2,338	54,794
Cheung Kong Infrastructure	15,128	11	38,308	53,447	18,264	5	39,308	57,577
Husky Energy	–	–	37,190	37,190	–	–	35,669	35,669
Finance & Investments	73,731	–	549	74,280	133,344	–	174	133,518
Hutchison Telecommunications International	44,207	368	90	44,665	76,446	376	2	76,824
Others	11,183	6	2,720	13,909	10,146	26	2,709	12,881
Subtotal - Established businesses	335,857	1,246	121,399	458,502	430,620	973	114,312	545,905
<b>TELECOMMUNICATIONS - 3 Group<sup>(b)</sup></b>	208,637	12,002	944	221,583	235,717	16,646	958	253,321
	544,494	13,248	122,343	680,085	666,337	17,619	115,270	799,226

	Total liabilities							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment liabilities <sup>(b)</sup>	Current & non-current borrowings <sup>(k)</sup> and other non-current liabilities	Current & deferred tax liabilities	2008 Total liabilities	Segment liabilities <sup>(b)</sup>	Current & non-current borrowings <sup>(k)</sup> and other non-current liabilities	Current & deferred tax liabilities	2007 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	17,467	44,106	5,999	67,572	17,474	44,243	6,753	68,470
Property and hotels	2,165	732	5,791	8,688	2,162	837	5,751	8,750
Retail	19,792	7,237	221	27,250	17,891	28,239	490	46,620
Cheung Kong Infrastructure	1,406	6,793	1,183	9,382	1,435	7,766	1,430	10,631
Husky Energy	–	–	–	–	–	–	3,316	3,316
Finance & Investments	3,501	63,522	618	67,641	4,550	63,618	735	68,903
Hutchison Telecommunications International	8,811	13,726	561	23,098	8,395	13,668	695	22,758
Others	1,932	516	226	2,674	3,714	645	807	5,166
Subtotal - Established businesses	55,074	136,632	14,599	206,305	55,621	159,016	19,977	234,614
<b>TELECOMMUNICATIONS - 3 Group</b>	29,964	139,388	292	169,644	35,876	169,762	316	205,954
	85,038	276,020	14,891	375,949	91,497	328,778	20,293	440,568

## 4 Segment information (continued)

## Geographical segment

	Revenue							
	Company and Subsidiaries	Associates and JCE	2008 Total		Company and Subsidiaries	Associates and JCE	2007 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	40,727	11,562	52,289	15%	35,212	14,087	49,299	16%
Mainland China	21,361	12,985	34,346	10%	19,405	9,237	28,642	9%
Asia and Australia	42,350	4,562	46,912	13%	31,084	10,871	41,955	14%
Europe	120,494	19,405	139,899	40%	121,273	15,595	136,868	44%
Americas and others	10,529	64,390	74,919	22%	11,752	40,259	52,011	17%
	235,461	112,904	348,365	100%	218,726	90,049	308,775	100%

	EBIT (LBIT) <sup>(a)</sup>							
	Company and Subsidiaries	Associates and JCE	2008 Total		Company and Subsidiaries	Associates and JCE	2007 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	%
Hong Kong	6,934	4,847	11,781	23%	13,217	5,292	18,509	29%
Mainland China	7,509	6,008	13,517	26%	5,042	3,128	8,170	13%
Asia and Australia	4,535	904	5,439	10%	2,499	2,580	5,079	8%
Europe	(5,882)	1,828	(4,054)	-8%	(13,014)	1,513	(11,501)	-18%
Americas and others	4,648	13,411	18,059	35%	6,628	10,742	17,370	27%
Change in fair value of investment properties	672	152	824	1%	1,988	7	1,995	3%
Profit (loss) on disposal of investments and others (See note 5)	3,458	3,122	6,580	13%	(11,182)	35,820	24,638	38%
<b>EBIT</b>	<b>21,874</b>	<b>30,272</b>	<b>52,146</b>	<b>100%</b>	<b>5,178</b>	<b>59,082</b>	<b>64,260</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	-	(3,222)	(3,222)		-	(3,446)	(3,446)	
Current tax	-	(3,886)	(3,886)		-	(2,532)	(2,532)	
Deferred tax	-	(2,256)	(2,256)		-	(1,579)	(1,579)	
Minority interests	-	22	22		-	(365)	(365)	
	21,874	20,930	42,804		5,178	51,160	56,338	

#### 4 Segment information (continued)

##### Geographical segment (continued)

	Capital expenditure <sup>(9)</sup>				
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACS	2008 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	1,823	–	129	817	2,769
Mainland China	1,848	–	–	–	1,848
Asia and Australia	5,659	–	–	1,972	7,631
Europe	15,799	384	421	14,963	31,567
Americas and others	2,649	–	–	–	2,649
	27,778	384	550	17,752	46,464

	Capital expenditure <sup>(9)</sup>				
	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
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
	28,956	86	572	11,825	41,439

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2008 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2007 Total assets
	Segment assets <sup>(8)</sup>	Deferred tax assets			Segment assets <sup>(8)</sup>	Deferred tax assets		
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	101,772	535	29,320	131,627	117,866	457	30,172	148,495
Mainland China	38,340	13	33,864	72,217	39,952	57	29,631	69,640
Asia and Australia	63,028	64	10,399	73,491	67,092	103	11,093	78,288
Europe	273,001	12,566	7,073	292,640	307,242	16,914	6,610	330,766
Americas and others	68,353	70	41,687	110,110	134,185	88	37,764	172,037
	544,494	13,248	122,343	680,085	666,337	17,619	115,270	799,226

### 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 Property and hotels in 2008 is a gain of HK\$2,141 million (2007 - nil) on disposal of subsidiaries, whose principal asset is an investment property, by a listed subsidiary, HHR. The result of operations of HHR, other than this gain, is presented under Others.
- (d) Included in EBIT of Finance & Investments in 2008 is the one-time profits on disposal of certain listed equity investments of HK\$2,084 million (2007 - HK\$9,754 million).
- (e) Included in EBIT of Hutchison Telecommunications International in 2008 are contributions from certain suppliers amounting to HK\$731 million (2007 - nil) in relation to its Indonesian operations.
- (f) Included in EBIT (LBIT) of Telecommunications - 3 Group in 2008 are foreign exchange gains totalling HK\$2,945 million (2007 - HK\$1,898 million) which mainly comprise a HK\$586 million (2007 - HK\$1,123 million) gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK\$2,359 million (2007 - HK\$775 million) gain arising from the Group's refinancing of certain non-Euro borrowings with Euro bank loans, and a release of provision of HK\$1,076 million (2007 - nil) that had been set up in prior year for certain onerous operating leases. During the current year, 3 Group has engaged negotiation with the new owner of certain leased properties and as a result of the negotiation new lease contracts have been signed with the new owner that superseded the original operating lease contracts signed with the previous owner of these properties on which a provision of HK\$2,265 million for onerous operating leases was made in prior year. Based on the terms of the new contracts the Group has revised the assessment of the least net cost of exiting from leases in respect of these properties and found a provision of HK\$1,076 million to be no longer required, and have recognised it in current year's profit and loss account.
- (g) Included in capital expenditures of Telecommunications - 3 Group in 2008 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2008 which has an effect of decreasing total expenditure by HK\$1,062 million (2007 - increasing total expenditure by HK\$1,433 million).
- (h) 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.
- (i) Included in total assets of Telecommunications - 3 Group is an unrealised foreign currency exchange loss arising in 2008 of HK\$28,861 million (2007 - gain of HK\$8,924 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.
- (j) Segment liabilities comprise trade and other payables and pension obligations.
- (k) Current and non-current borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

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

	2008 HK\$ millions	2007 HK\$ millions
<b>ESTABLISHED BUSINESSES</b>		
Group's share of Husky's gain on partial disposal in a resource property <sup>(a)</sup>	3,122	–
Gain on disposal of minority equity interests in certain ports to strategic partners	2,037	–
Profit on disposal of certain telecommunications tower assets in Indonesia <sup>(b)</sup>	1,421	–
Group's share of HTIL's gain on disposal of CGP <sup>(c)</sup>	–	35,820
HTIL's full provision for its investment in the mobile business in Thailand <sup>(d)</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>(e)</sup>	–	(1,513)
<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>(f)</sup>	–	955
Write-off of customer acquisition and retention costs and content and other similar rights <sup>(g)</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>(h)</sup>	–	–
	<b>6,580</b>	<b>24,638</b>

- (a) Husky Energy ("Husky"), a Canadian listed associated company, formed an integrated oil sands joint venture with a third party and contributed its Sunrise oil sands property to the joint venture in exchange for a 50% equity interest in the joint venture. The Group's share of Husky's gain on partial disposal of 50% of its Sunrise oil sands property represents the Group's share of this gain under HKFRS.
- (b) Profit on disposal of certain telecommunications tower assets represents the profit on the sale by listed subsidiary, Hutchison Telecommunications International ("HTIL"), of certain mobile telecommunications tower assets in Indonesia.
- (c) The Group's share of HTIL gain on disposal of CGP Investments (Holdings) Limited ("CGP") represented 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.
- (d) 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.
- (e) This amount represents the Group's loss after asset valuation consolidation adjustments arising from listed subsidiary, Cheung Kong Infrastructure's ("CKI") sale 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.
- (f) 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, its then non-wholly owned subsidiary.
- (g) Write-off of customer acquisition and retention costs and content and other similar rights mainly comprised 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.
- (h) 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 had 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.

## 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 2008 and 2007 are as below:

Name of directors	2008					
	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	32.40	–	–	36.96
<i>Paid by Cheung Kong Infrastructure</i>	0.07	–	9.90	–	–	9.97
<i>Paid to the Company</i>	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	42.30	–	–	46.86
FOK Kin-ning, Canning <sup>(b)</sup>	0.12	10.26	120.79	2.13	–	133.30
CHOW WOO Mo Fong, Susan <sup>(b)</sup>	0.12	7.64	28.08	1.55	–	37.39
Frank John SIXT <sup>(b)</sup>	0.18	7.63	26.88	0.67	–	35.36
LAI Kai Ming, Dominic <sup>(b)</sup>	0.12	5.18	23.75	0.98	–	30.03
KAM Hing Lam <sup>(b)</sup>						
<i>Paid by the Company</i>	0.12	2.25	6.12	–	–	8.49
<i>Paid by Cheung Kong Infrastructure</i>	0.07	4.20	4.32	–	–	8.59
<i>Paid to the Company</i>	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	10.44	–	–	12.81
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
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>2.13</b>	<b>37.40</b>	<b>252.24</b>	<b>5.33</b>	<b>–</b>	<b>297.10</b>

- (a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 (2007 - 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\$860,000 (2007 - HK\$900,000).
- (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)

2007						
Name of directors	Fees HK\$ millions	Basic salaries, allowances and benefits- in-kind HK\$ millions	Bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	Total emoluments HK\$ millions
LI Ka-shing <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>

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 (2007 - nil).

In 2008, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK\$6.37 million; provident fund contribution - HK\$0.48 million; and bonus - HK\$27.72 million. 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.

## 7 Interest and other finance costs

	2008 HK\$ millions	2007 HK\$ millions
Bank loans and overdrafts	7,747	7,408
Other loans repayable within 5 years	690	626
Other loans not wholly repayable within 5 years	1	6
Notes and bonds repayable within 5 years	4,125	2,659
Notes and bonds not wholly repayable within 5 years	4,146	7,483
	<b>16,709</b>	18,182
Interest bearing loans from minority shareholders repayable within 5 years	506	533
Interest bearing loans from minority shareholders not wholly repayable within 5 years	152	289
	<b>17,367</b>	19,004
Notional non-cash interest accretion <sup>(a)</sup>	524	546
	<b>17,891</b>	19,550
Less: interest capitalised <sup>(b)</sup>	(605)	(496)
	<b>17,286</b>	19,054

(a) Notional non-cash interest accretion represents 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, and amortisation of upfront facility fees.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 3.5% to 7.9% per annum (2007 – 4.3% to 8.0% per annum).



## 8 Tax

	Current tax HK\$ millions	Deferred tax HK\$ millions	2008 Total HK\$ millions	Current tax HK\$ millions	Deferred tax HK\$ millions	2007 Total HK\$ millions
Hong Kong	626	10	636	421	1,644	2,065
Outside Hong Kong	2,818	(2,586)	232	2,347	7	2,354
	<b>3,444</b>	<b>(2,576)</b>	<b>868</b>	2,768	1,651	4,419

Hong Kong profits tax has been provided for at the rate of 16.5% (2007 - 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 asset has been recognised for the losses of 3 Group (2007 - nil) (see note 20).

The Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future. In the current year, the Group wrote back a HK\$2,764 million provision for deferred tax liabilities that had been set up in previous years in respect of potential dividend withholding tax on undistributed profits. The write back was made based on a revised assessment that it is not probable that this temporary difference would reverse in the foreseeable future.

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	2008 Total HK\$ millions
Tax calculated at the domestic rates applicable in the country concerned	3,813	(6,368)	(2,555)
Tax effect of:			
Reversal of temporary differences in the current year (See above)	(2,764)	–	(2,764)
Tax losses not recognised	1,062	6,290	7,352
Tax incentives	(537)	(33)	(570)
Income not subject to tax	(1,018)	(5)	(1,023)
Expenses not deductible for tax purposes	837	–	837
Recognition of previously unrecognised tax losses	(103)	–	(103)
Utilisation of previously unrecognised tax losses	(113)	–	(113)
Under provision in prior years	88	(1)	87
Deferred tax assets written off	43	–	43
Other temporary differences	(153)	97	(56)
Effect of change in tax rate	(267)	–	(267)
Total tax for the year	<b>888</b>	<b>(20)</b>	<b>868</b>

## 8 Tax (continued)

	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 effect of:			
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)
Total tax for the year	4,534	(115)	4,419

## 9 Dividends

	2008 HK\$ millions	2007 HK\$ millions
Interim, paid of HK\$0.51 per share (2007 - HK\$0.51)	2,174	2,174
Final, proposed of HK\$1.22 per share (2007 - HK\$1.22)	5,201	5,201
	7,375	7,375

## 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\$17,664 million (2007 - HK\$30,600 million) and on 4,263,370,780 shares in issue during 2008 (2007 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2008. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2008 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 2007	34,291	89,230	88,692	212,213
Additions	4,364	4,612	18,848	27,824
Disposals	(376)	(14,266)	(2,499)	(17,141)
Relating to subsidiaries acquired	498	29,307	7,325	37,130
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	1,015	4,664	(5,727)	(48)
Non-cash additions relating to 3 UK network sharing agreement <sup>(a)</sup>	–	19,788	–	19,788
Exchange translation differences	581	5,768	4,467	10,816
At 1 January 2008	<b>40,382</b>	<b>138,980</b>	<b>111,397</b>	<b>290,759</b>
Additions	<b>4,588</b>	<b>6,105</b>	<b>16,854</b>	<b>27,547</b>
Disposals	<b>(407)</b>	<b>(1,822)</b>	<b>(2,155)</b>	<b>(4,384)</b>
Relating to subsidiaries acquired	172	–	1,109	1,281
Relating to subsidiaries disposed of	(136)	(142)	(263)	(541)
Revaluation upon transfer to investment properties	5	–	–	5
Transfer from (to) other assets	59	(36)	184	207
Transfer between categories/investment properties/ leasehold land	81	8,656	(8,686)	51
Exchange translation differences	(2,921)	(16,324)	(8,235)	(27,480)
At 31 December 2008	<b>41,823</b>	<b>135,417</b>	<b>110,205</b>	<b>287,445</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 2007	8,069	18,507	45,456	72,032
Charge for the year	1,025	4,638	11,953	17,616
Decommissioning charge relating to 3 UK network sharing agreement <sup>(a)</sup>	–	11,060	–	11,060
Impairment recognised <sup>(b)</sup>	–	2,938	756	3,694
Disposals	(264)	(14,250)	(1,849)	(16,363)
Relating to subsidiaries acquired	34	12,528	4,336	16,898
Relating to subsidiaries disposed of	–	–	(43)	(43)
Transfer from other assets	–	3	78	81
Transfer between categories/investment properties/ leasehold land	507	(24)	(410)	73
Exchange translation differences	171	1,425	2,773	4,369
At 1 January 2008	<b>9,542</b>	<b>36,825</b>	<b>63,050</b>	<b>109,417</b>
Charge for the year	<b>1,151</b>	<b>8,364</b>	<b>7,753</b>	<b>17,268</b>
Disposals	<b>(355)</b>	<b>(956)</b>	<b>(1,827)</b>	<b>(3,138)</b>
Relating to subsidiaries acquired	<b>50</b>	<b>–</b>	<b>402</b>	<b>452</b>
Relating to subsidiaries disposed of	<b>(129)</b>	<b>(62)</b>	<b>(182)</b>	<b>(373)</b>
Transfer between categories/investment properties/ leasehold land	<b>68</b>	<b>2,844</b>	<b>(2,913)</b>	<b>(1)</b>
Exchange translation differences	<b>(753)</b>	<b>(3,851)</b>	<b>(4,822)</b>	<b>(9,426)</b>
At 31 December 2008	<b>9,574</b>	<b>43,164</b>	<b>61,461</b>	<b>114,199</b>
<b>Net book value</b>				
At 31 December 2008	<b>32,249</b>	<b>92,253</b>	<b>48,744</b>	<b>173,246</b>
At 31 December 2007	30,840	102,155	48,347	181,342

(a) Non-cash additions and decommissioning charge relates 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\$4,229 million (2007 - HK\$3,136 million).

Cost and net book value of fixed assets include HK\$135,381 million (2007 - HK\$145,081 million) and HK\$90,212 million (2007 - HK\$101,841 million) respectively, relating to 3 Group. Impairment tests were undertaken at 31 December 2008 and 31 December 2007 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 2008 and 31 December 2007 indicated that no impairment charge was necessary.

## 12 Investment properties

	2008 HK\$ millions	2007 HK\$ millions
<b>Valuation</b>		
At 1 January	43,680	41,657
Additions	17	28
Disposals	(1)	(205)
Relating to subsidiaries disposed	(3,217)	–
Change in fair value of investment properties	672	1,988
Transfer from (to) fixed assets and leasehold land	(37)	5
Exchange translation differences	168	207
At 31 December	41,282	43,680

Investment properties have been fair valued as at 31 December 2008 and 31 December 2007 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2008 HK\$ millions	2007 HK\$ millions
<b>Hong Kong</b>		
Long leasehold (not less than 50 years)	16,675	16,387
Medium leasehold (less than 50 years but not less than 10 years)	23,501	23,277
<b>Outside Hong Kong</b>		
Freehold	210	210
Medium leasehold	896	3,806
	41,282	43,680

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

	2008 HK\$ millions	2007 HK\$ millions
Within 1 year	2,315	1,475
After 1 year, but within 5 years	2,560	1,523
After 5 years	2	68

## 13 Leasehold land

	2008 HK\$ millions	2007 HK\$ millions
<b>Net book value</b>		
At 1 January	36,272	35,293
Additions	214	1,104
Disposals	(6)	(13)
Relating to subsidiaries acquired	–	409
Relating to subsidiaries disposed of	(1)	–
Revaluation upon transfer to investment properties	5	–
Amortisation for the year	(1,018)	(986)
Transfer from (to) investment properties	5	(1)
Transfer from (to) fixed assets	(20)	117
Exchange translation differences	(706)	349
At 31 December	34,745	36,272

The Group's leasehold land comprises:

	2008 HK\$ millions	2007 HK\$ millions
<b>Hong Kong</b>		
Long leasehold	1,550	1,566
Medium leasehold	12,945	13,277
<b>Outside Hong Kong</b>		
Long leasehold	1,274	1,175
Medium leasehold	18,921	20,252
Short leasehold (less than 10 years)	55	2
	34,745	36,272

## 14 Telecommunications licences

	2008 HK\$ millions	2007 HK\$ millions
<b>Net book value</b>		
At 1 January	91,897	89,077
Additions	384	182
Relating to subsidiaries acquired	–	4,566
Relating to subsidiaries disposed of	(62)	–
Amortisation for the year	(5,567)	(5,617)
Impairment recognised <sup>(a)</sup>	–	(397)
Exchange translation differences	(14,477)	4,086
At 31 December	72,175	91,897
Cost	101,771	121,787
Accumulated amortisation and impairment	(29,596)	(29,890)
	72,175	91,897

(a) Impairment charge 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 2008 and 31 December 2007 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 2008 and 31 December 2007 indicated that no impairment charge was necessary.

## 15 Telecommunications postpaid customer acquisition and retention costs

	2008 HK\$ millions	2007 HK\$ millions
<b>Net book value</b>		
At 1 January	8,771	10,532
Additions	17,752	11,825
Relating to subsidiaries acquired	–	368
Amortisation and write off for the year	(12,571)	(14,442)
Exchange translation differences	(1,930)	488
At 31 December	12,022	8,771
Cost	26,851	17,873
Accumulated amortisation	(14,829)	(9,102)
	12,022	8,771

## 16 Goodwill

	2008 HK\$ millions	2007 HK\$ millions
<b>Cost</b>		
At 1 January	31,520	21,840
Relating to subsidiaries acquired	309	5,349
Relating to increase in interests in subsidiaries	1,047	2,718
Relating to partial disposal of subsidiaries	(304)	(4)
Exchange translation differences	(2,254)	1,617
At 31 December	30,318	31,520

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2007 - €645 million), Kruidvat of €600 million (2007 - €600 million), Merchant Retail Group of £140 million (2007 - £140 million) and Superdrug of £78 million (2007 - £78 million), increased shareholdings in 3 Italia of €270 million (2007 - €266 million), Hutchison 3G Australia of AUD331 million (2007 - AUD331 million) and goodwill relating to HTIL of HK\$6,134 million (2007 - HK\$5,357 million).

In accordance with the Group's accounting policy on asset impairment (see note 1(x)), the carrying values of goodwill were tested for impairment as at 31 December 2008 and 31 December 2007. 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 2008 and 31 December 2007 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 2008	1,960	8,941	10,901
Additions	228	550	778
Transfer from other assets	-	17	17
Amortisation for the year	(7)	(1,016)	(1,023)
Write off for the year	-	(67)	(67)
Exchange translation differences	(131)	11	(120)
At 31 December 2008	2,050	8,436	10,486
Cost	2,057	15,883	17,940
Accumulated amortisation	(7)	(7,447)	(7,454)
	2,050	8,436	10,486



## 17 Brand names and other rights (continued)

	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

The brand names as at 31 December 2008 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 2008 and 31 December 2007 and the results of the tests indicated no impairment charge was necessary.

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

	2008 HK\$ millions	2007 HK\$ millions
Unlisted shares	8,358	6,594
Listed shares, Hong Kong	9,512	9,512
Listed shares, outside Hong Kong	10,341	10,341
Share of undistributed post acquisition reserves	39,625	42,905
	67,836	69,352
Amounts due from associated companies	8,642	6,193
	76,478	75,545

The market value of the above listed investments at 31 December 2008 was HK\$94,237 million (2007 - HK\$140,306 million).

Particulars regarding the principal associated companies are set forth on pages 193 to 198.

## 18 Associated companies (continued)

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

	2008 HK\$ millions	2007 HK\$ millions
Revenue	300,773	169,024
Profit after tax	40,073	105,819
Non-current assets	390,891	322,583
Current assets	62,810	50,145
Total assets	453,701	372,728
Non-current liabilities	162,295	153,676
Current liabilities	81,731	49,196
Total liabilities	244,026	202,872

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

	2008 HK\$ millions	2007 HK\$ millions
Revenue	77,924	61,431
Expense	(50,587)	(34,864)
Group's share of Husky's gain on partial disposal in a resource property (See note 5)	3,122	–
Group's share of HTIL's gain on disposal of CGP (See note 5)	–	35,820
EBITDA <sup>(a)</sup>	30,459	62,387
Depreciation and amortisation	(8,009)	(8,059)
Change in fair value of investment properties	–	15
EBIT <sup>(b)</sup>	22,450	54,343
Interest and other finance costs	(2,465)	(2,753)
Current tax	(2,742)	(1,833)
Deferred tax	(1,621)	(1,570)
Minority interests	22	(365)
Profit after tax	15,644	47,822

(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 change 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

	2008 HK\$ millions	2007 HK\$ millions
<b>Jointly controlled entities</b>		
Unlisted shares	25,111	22,290
Share of undistributed post acquisition reserves	4,702	879
	<b>29,813</b>	23,169
Amounts due from jointly controlled entities	16,052	16,556
	<b>45,865</b>	39,725

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 193 to 198.

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

	2008 HK\$ millions	2007 HK\$ millions
Revenue	75,478	63,180
Profit after tax	12,526	8,254
	<b>129,471</b>	169,086
Non-current assets	52,140	45,794
Current assets	<b>181,611</b>	214,880
Total assets	<b>83,488</b>	83,267
Non-current liabilities	39,948	36,990
Current liabilities	<b>123,436</b>	120,257
Total liabilities	<b>123,436</b>	120,257

## 19 Interests in joint ventures (continued)

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

	2008 HK\$ millions	2007 HK\$ millions
Revenue	34,980	28,618
Expense	(25,994)	(22,710)
EBITDA <sup>(a)</sup>	8,986	5,908
Depreciation and amortisation	(1,316)	(1,161)
Change in fair value of investment properties	152	(8)
EBIT <sup>(b)</sup>	7,822	4,739
Interest and other finance costs	(757)	(693)
Current tax	(1,144)	(699)
Deferred tax	(635)	(9)
Profit after tax	5,286	3,338
Capital commitments	187	112

(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 change 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

	2008 HK\$ millions	2007 HK\$ millions
Deferred tax assets	13,248	17,619
Deferred tax liabilities	13,616	17,957
Net deferred tax liabilities	<b>(368)</b>	(338)

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

	2008 HK\$ millions	2007 HK\$ millions
At 1 January	(338)	2,140
Relating to subsidiaries acquired	208	(660)
Relating to subsidiaries disposed of	604	–
Transfer from current tax	(133)	390
Net charge to reserves	196	(215)
Net credit (charge) for the year		
Unused tax losses	(409)	(109)
Accelerated depreciation allowances	21	271
Fair value adjustments arising from acquisitions	346	680
Revaluation of investment properties and other investments	134	(179)
Reversal of temporary differences in the current year (See below)	2,764	–
Withholding tax on undistributed earnings	(211)	(1,007)
Other temporary differences	(69)	(1,307)
Exchange translation differences	(3,481)	(342)
At 31 December	<b>(368)</b>	(338)

Analysis of net deferred tax assets (liabilities):

	2008 HK\$ millions	2007 HK\$ millions
Unused tax losses	15,446	20,118
Accelerated depreciation allowances	(3,685)	(3,867)
Fair value adjustments arising from acquisitions	(5,763)	(6,081)
Revaluation of investment properties and other investments	(4,268)	(5,089)
Withholding tax on undistributed earnings	(343)	(3,449)
Other temporary differences	(1,755)	(1,970)
	<b>(368)</b>	(338)

During the year, no deferred tax asset has been recognised for the losses of 3 Group (2007- nil).

The Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future. In the current year, the Group wrote back a HK\$2,764 million provision for deferred tax liabilities that had been set up in previous years in respect of potential dividend withholding tax on undistributed profits. The write back was made based on a revised assessment that it is not probable that this temporary difference would reverse in the foreseeable future.

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

## 20 Deferred tax (continued)

At 31 December 2008, the Group has recognised accumulated deferred tax assets amounting to HK\$13,248 million (2007 - HK\$17,619 million) of which HK\$12,002 million (2007 - HK\$16,646 million) relates to 3 Group.

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.

The potential net deferred tax asset mainly arising from accumulated unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK\$44,053 million at 31 December 2008 (2007 - HK\$45,737 million).

The unrecognised accumulated tax losses carried forward amounted to HK\$171,287 million at 31 December 2008 (2007 - HK\$176,933 million), out of which HK\$138,660 million (2007 - HK\$125,097 million) is attributable to 3 Group. Unrecognised tax losses of HK\$91,120 million (2007 - HK\$94,102 million) can be carried forward indefinitely. The remaining HK\$80,167 million (2007 - HK\$82,831 million) expires in the following years:

	2008 HK\$ millions	2007 HK\$ millions
In the first year	22,988	15,845
In the second year	22,542	23,048
In the third year	8,313	22,302
In the fourth year	11,738	7,308
In the fifth to tenth years inclusive	14,586	14,328
	<b>80,167</b>	82,831

## 21 Other non-current assets

	2008 HK\$ millions	2007 HK\$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	1,792	1,984
Infrastructure project investments	697	577
	<b>2,489</b>	2,561
Available-for-sale investments		
Unlisted equity securities	1,603	1,647
Pension assets (See note 29)	-	542
Fair value hedges (See note 27(a))		
Interest rate swaps	4,188	277
Cash flow hedges (See note 27(a))		
Interest rate swaps	-	55
Forward foreign exchange contracts	624	-
	<b>8,904</b>	5,082

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 2008 is 3.1% (2007 - 5.5%).

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

	2008 HK\$ millions	2007 HK\$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	19,928	46,444
Listed debt securities, outside Hong Kong	5,245	5,514
Listed equity securities, Hong Kong	840	6,312
Listed equity securities, outside Hong Kong	3,740	5,685
	<b>29,753</b>	63,955
Loans and receivables		
Long term deposits	65	4,196
Financial assets at fair value through profit or loss	917	1,041
	<b>30,735</b>	69,192

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

	2008 HK\$ millions	2007 HK\$ millions
Listed debt securities	19,592	45,877
Cash and cash equivalents	336	567
	<b>19,928</b>	46,444

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 2008 was HK\$30,670 million (2007 - HK\$64,996 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 2008 was 4.9% (2007 - 5.2%).

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

	2008			2007		
	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	3%	-	-	10%	11%	-
US dollars	68%	-	78%	73%	87%	75%
Euro	18%	-	-	9%	-	-
Others	11%	100%	22%	8%	2%	25%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	100%	100%	100%

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

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

	2008 Percentage	2007 Percentage
<b>Credit ratings</b>		
Aaa/AAA	73%	81%
Aa1/AA+	5%	5%
Aa2/AA	14%	7%
Aa3/AA-	4%	6%
Other investment grades	4%	1%
	<b>100%</b>	100%
<b>Sectorial</b>		
Supranational notes	27%	19%
Government guaranteed notes	25%	24%
Financial institutions issued notes	21%	11%
Government related entities issued notes	17%	4%
US Treasury notes	10%	42%
	<b>100%</b>	100%
Weighted average maturity	<b>Less than 1 year</b>	1.2 years
Weighted average effective yield	3.41%	3.45%

## 23 Cash and cash equivalents

	2008 HK\$ millions	2007 HK\$ millions
Cash at bank and in hand	16,835	13,650
Short term bank deposits	40,451	97,657
	<b>57,286</b>	111,307

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



## 24 Trade and other receivables

	2008 HK\$ millions	2007 HK\$ millions
Trade receivables	27,044	28,951
Other receivables and prepayments	27,442	26,235
Fair value hedges (See note 27(a))		
Interest rate swaps	–	100
Cash flow hedges (See note 27(a))		
Forward foreign exchange contracts	281	88
	<b>54,767</b>	<b>55,374</b>

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

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

	2008 HK\$ millions	2007 HK\$ millions
Less than 31 days	13,502	13,305
Within 31 to 60 days	2,793	3,388
Within 61 to 90 days	909	1,312
Over 90 days	9,840	10,946
	<b>27,044</b>	<b>28,951</b>

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value. As stated above trade receivables which are past due at the balance sheet date are stated at the expected recoverable amount, net of estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2008 and 2007.

## 25 Trade and other payables

	2008 HK\$ millions	2007 HK\$ millions
Trade payables	23,571	27,206
Other payables and accruals	51,708	53,145
Provisions (See note 26)	3,723	6,476
Interest free loans from minority shareholders	3,465	3,088
Fair value hedges (See note 27(a))		
Interest rate swaps	–	3
Cash flow hedges (See note 27(a))		
Cross currency interest rate swaps	8	–
Forward foreign exchange contracts	22	111
	<b>82,497</b>	<b>90,029</b>

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

	2008 HK\$ millions	2007 HK\$ millions
Less than 31 days	12,454	14,322
Within 31 to 60 days	2,917	3,290
Within 61 to 90 days	1,266	2,556
Over 90 days	6,934	7,038
	<b>23,571</b>	<b>27,206</b>

The Group's five largest suppliers accounted for less than 18% of the Group's cost of purchases for the years ended 31 December 2008 and 2007.

## 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
<b>At 1 January 2008</b>	<b>5,410</b>	<b>889</b>	<b>1,054</b>	<b>7,353</b>
Additions	64	177	432	673
Interest accretion	75	62	–	137
Utilisations	(573)	(1)	(400)	(974)
Write back (See note 4(f))	(1,082)	(28)	(61)	(1,171)
Relating to subsidiaries disposed of	–	(2)	–	(2)
Exchange translation differences	(1,205)	(99)	(6)	(1,310)
<b>At 31 December 2008</b>	<b>2,689</b>	<b>998</b>	<b>1,019</b>	<b>4,706</b>

Provisions analysed as:

	2008 HK\$ millions	2007 HK\$ millions
Current portion (See note 25)	3,723	6,476
Non-current portion (See note 30)	983	877
	<b>4,706</b>	7,353

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures. Additions in 2007 mainly represented network restructuring costs arising from the network sharing agreement with another UK mobile communications operator (see note 5(h)).

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

As disclosed in note 1(s) the carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2008			2007		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
Bank loans	19,022	96,613	115,635	42,282	114,163	156,445
Other loans	3,842	380	4,222	134	7,245	7,379
Notes and bonds	1,110	132,917	134,027	7,871	139,584	147,455
Total principal amount of bank and other debts	23,974	229,910	253,884	50,287	260,992	311,279
Unamortised loan facility fees and premiums or discounts related to debts	(29)	43	14	(32)	(1,016)	(1,048)
Unrealised gain on fair value changes of interest rate swap contracts ("IRS") <sup>(a)</sup>	–	4,188	4,188	–	110	110
	23,945	234,141	258,086	50,255	260,086	310,341

## 27 Bank and other debts (continued)

Analysis of principal amount of bank and other debts :

	2008			2007		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
<b>Bank loans</b>						
Repayable within 5 years	19,020	96,589	115,609	42,280	114,136	156,416
Not wholly repayable within 5 years	2	24	26	2	27	29
	<b>19,022</b>	<b>96,613</b>	<b>115,635</b>	<b>42,282</b>	<b>114,163</b>	<b>156,445</b>
<b>Other loans</b>						
Repayable within 5 years	3,841	359	4,200	130	7,173	7,303
Not wholly repayable within 5 years	1	21	22	4	72	76
	<b>3,842</b>	<b>380</b>	<b>4,222</b>	<b>134</b>	<b>7,245</b>	<b>7,379</b>
<b>Notes and bonds</b>						
US\$175 million notes, LIBOR + 0.45% due 2008	–	–	–	1,365	–	1,365
US\$1,438 million (2007 - US\$1,500 million) notes, 5.45% due 2010	–	11,213	11,213	–	11,700	11,700
US\$1,497 million (2007 - US\$1,500 million) notes, 7% due 2011	–	11,675	11,675	–	11,700	11,700
US\$3,486 million (2007 - US\$3,500 million) notes, 6.5% due 2013	–	27,191	27,191	–	27,300	27,300
US\$1,995 million (2007 - US\$2,000 million) notes, 6.25% due 2014	–	15,561	15,561	–	15,600	15,600
US\$500 million notes-Series B, 7.45% due 2017	–	3,900	3,900	–	3,900	3,900
US\$500 million notes-Series C, 7.5% due 2027	–	3,900	3,900	–	3,900	3,900
US\$241 million (2007 - US\$250 million) notes-Series D, 6.988% due 2037	–	1,880	1,880	–	1,950	1,950
US\$1,500 million notes, 7.45% due 2033	–	11,700	11,700	–	11,700	11,700
EUR85 million bonds, 2.5% due 2008	–	–	–	1,122	–	1,122
EUR1,000 million notes, 5.875% due 2013	–	10,850	10,850	–	11,210	11,210
EUR634 million (2007 - EUR 655 million) notes, 4.125% due 2015	–	6,883	6,883	–	7,343	7,343
EUR967 million (2007 - EUR1,000 million) notes, 4.625% due 2016	–	10,487	10,487	–	11,210	11,210
GBP325 million bonds, 6.75% due 2015	–	3,757	3,757	–	5,041	5,041
GBP300 million bonds, 5.625% due 2017	–	3,468	3,468	–	4,653	4,653
GBP400 million bonds, 5.625% due 2026	–	4,624	4,624	–	6,204	6,204
AUD800 million notes, BBSW + 0.65% due 2008	–	–	–	5,384	–	5,384
JPY30,000 million notes, 3.5% due 2032	–	2,498	2,498	–	2,070	2,070
NIS2,000 million notes, Israeli Consumer Price Index + 4.25% due 2012	1,110	3,330	4,440	–	4,103	4,103
	<b>1,110</b>	<b>132,917</b>	<b>134,027</b>	<b>7,871</b>	<b>139,584</b>	<b>147,455</b>
	<b>23,974</b>	<b>229,910</b>	<b>253,884</b>	<b>50,287</b>	<b>260,992</b>	<b>311,279</b>

## 27 Bank and other debts (continued)

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

	2008			2007		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
Bank loans						
Current portion	19,022	–	19,022	42,282	–	42,282
After 1 year, but within 2 years	–	22,875	22,875	–	26,787	26,787
After 2 years, but within 5 years	–	73,718	73,718	–	87,356	87,356
After 5 years	–	20	20	–	20	20
	19,022	96,613	115,635	42,282	114,163	156,445
Other loans						
Current portion	3,842	–	3,842	134	–	134
After 1 year, but within 2 years	–	252	252	–	6,777	6,777
After 2 years, but within 5 years	–	111	111	–	401	401
After 5 years	–	17	17	–	67	67
	3,842	380	4,222	134	7,245	7,379
Notes and bonds						
Current portion	1,110	–	1,110	7,871	–	7,871
After 1 year, but within 2 years	–	12,694	12,694	–	1,026	1,026
After 2 years, but within 5 years	–	51,566	51,566	–	26,478	26,478
After 5 years	–	68,657	68,657	–	112,080	112,080
	1,110	132,917	134,027	7,871	139,584	147,455
	23,974	229,910	253,884	50,287	260,992	311,279

## 27 Bank and other debts (continued)

The bank and other debts of the Group are secured to the extent of HK\$10,293 million (2007 - HK\$24,367 million) of which HK\$2,615 million (2007 - HK\$10,147 million) and nil (2007 - HK\$3,878 million) are non-guaranteed and guaranteed loans respectively for 3G businesses.

The US\$241 million (2007 - US\$250 million) notes-Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

Borrowings with principal amount of HK\$123,383 million (2007 - HK\$173,418 million) bear interest at floating interest rates and borrowings with principal amount of HK\$130,501 million (2007 - HK\$137,861 million) bear interest at fixed interest rates.

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

	Carrying amounts		Fair values	
	2008 HK\$ millions	2007 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
Bank loans	115,348	156,039	115,346	156,009
Other loans	4,221	7,363	4,025	7,378
Notes and bonds	138,517	146,939	122,941	150,036
	<b>258,086</b>	310,341	<b>242,312</b>	313,423

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

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

	2008 Percentage	2007 Percentage
HK dollars	15%	12%
US dollars	35%	31%
Euro	33%	34%
British Pounds	6%	11%
Other currencies	11%	12%
	<b>100%</b>	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. As disclosed in note 1(n), the Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2008, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK\$48,750 million (2007 - HK\$84,630 million).

In addition, interest rate swap agreements with notional amount of HK\$3,013 million (2007 - HK\$3,845 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 at rates ranging from 5.3% to 6.8% with expiry in 2010.

As at 31 December 2008, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$62 million (2007 - HK\$97 million) to non-US dollar principal amount of borrowings to match currency exposures of the underlying businesses.

## 27 Bank and other debts (continued)

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

	2008			2007		
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions	Current portion HK\$ millions	Non-current portion HK\$ millions	Total HK\$ millions
<b>Fair value hedges - Interest rate swaps</b>						
Derivative financial assets (See notes 21 and 24)	–	4,188	4,188	100	277	377
Derivative financial liabilities (See notes 25 and 30)	–	–	–	(3)	(264)	(267)
	–	4,188	4,188	97	13	110
<b>Cash flow hedges</b>						
Derivative financial assets						
Interest rate swaps (See notes 21 and 24)	–	–	–	–	55	55
Forward foreign exchange contracts (See notes 21 and 24)	281	624	905	88	–	88
	281	624	905	88	55	143
Derivative financial liabilities						
Interest rate swaps (See note 30)	–	(50)	(50)	–	–	–
Cross currency interest rate swaps (See notes 25 and 30)	(8)	(4)	(12)	–	(22)	(22)
Forward foreign exchange contracts (See notes 25 and 30)	(22)	–	(22)	(111)	(187)	(298)
	(30)	(54)	(84)	(111)	(209)	(320)
	251	570	821	(23)	(154)	(177)

## 28 Interest bearing loans from minority shareholders

	2008 HK\$ millions	2007 HK\$ millions
Interest bearing loans from minority shareholders	13,348	12,508

The carrying amount of the borrowings approximates their fair value.



## 29 Pension plans

	2008 HK\$ millions	2007 HK\$ millions
Defined benefit plans		
Pension assets	–	542
Pension obligations	2,541	1,468
	2,541	926

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 2008 and 31 December 2007 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:

	2008	2007
Discount rate applied to defined benefit plan obligations	1.60% - 6.40%	3.20% - 6.00%
Expected return on plan assets	4.80% - 8.36%	3.72% - 8.00%
Future salary increases	0% - 4.30%	2.00% - 5.00%
Interest credited on two principal plans in Hong Kong	5.00% - 6.00%	5.00% - 6.00%

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

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

	2008 HK\$ millions	2007 HK\$ millions
Present value of defined benefit obligations	11,452	13,151
Fair value of plan assets	8,981	12,175
	2,471	976
Unrecognised past services costs	(41)	(50)
Restrictions on asset recognised	111	–
Net defined benefit plan obligations	2,541	926

Fair value of plan assets of HK\$8,981 million (2007 - HK\$12,175 million) includes investments in the Company's shares with a fair value of HK\$32 million (2007 - HK\$53 million).

## 29 Pension plans (continued)

## (a) Defined benefit plans (continued)

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

	2008 HK\$ millions	2007 HK\$ millions
At 1 January	13,151	12,659
Current service cost net of employee contributions	595	643
Actual employee contributions	122	123
Interest cost	627	589
Actuarial gains on obligation	(576)	(781)
Gains on curtailments	(64)	(79)
Relating to subsidiaries acquired	6	217
Transfer to other liabilities	–	(8)
Actual benefits paid	(679)	(644)
Exchange differences	(1,730)	432
At 31 December	11,452	13,151

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

	2008 HK\$ millions	2007 HK\$ millions
At 1 January	12,175	10,228
Expected return on plan assets	837	717
Actuarial gains (losses) on plan assets	(2,775)	600
Actual company contributions	829	678
Actual employee contributions	122	123
Relating to subsidiaries acquired	6	196
Assets distributed on settlements	(80)	(15)
Actual benefits paid	(679)	(644)
Exchange differences	(1,454)	292
At 31 December	8,981	12,175

## 29 Pension plans (continued)

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

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

	2008 HK\$ millions	2007 HK\$ millions
Current service cost	595	643
Past service cost	8	8
Interest cost	627	589
Losses (gains) on curtailments and settlements	16	(79)
Expected return on plan assets	(837)	(717)
<b>Total expense</b>	<b>409</b>	<b>444</b>
Less: expense capitalised	(1)	(1)
<b>Total, included in staff costs</b>	<b>408</b>	<b>443</b>

The actuarial losses recognised in the statement of recognised income and expense in current year was HK\$2,310 million (2007 - gains of HK\$1,381 million). The cumulative actuarial losses recognised in the statement of recognised income and expense amounted to HK\$1,845 million (2007 - gains of HK\$486 million).

Fair value of the plan assets are analysed as follows:

	2008 Percentage	2007 Percentage
Equity instruments	49%	55%
Debt instruments	43%	36%
Other assets	8%	9%
	<b>100%</b>	<b>100%</b>

The experience adjustments are as follows:

	2008 HK\$ millions	2007 HK\$ millions	2006 HK\$ millions	2005 HK\$ millions
Present value of defined benefit obligations	11,452	13,151	12,659	10,545
Fair value of plan assets	8,981	12,175	10,228	8,222
Deficit	2,471	976	2,431	2,323
Experience adjustments on defined benefit obligations	502	(13)	(18)	(308)
Experience adjustments on plan assets	(2,253)	648	561	429

## 29 Pension plans (continued)

## (a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2008. 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 2008 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\$29 million (2007 - HK\$36 million) were used to reduce the current year's level of contributions and HK\$3 million was available at 31 December 2008 (2007 - HK\$5 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2007, the ratio of assets to liabilities for the Felixstowe Scheme was 72%. The sponsoring employer's contributions have been increased from October 2008 to finance the increased cost of accrual of benefits and to fund the deficit over a period of ten years. The main assumptions in the valuation are an investment return of 7.25% (pre-retirement) and 4.6% (post-retirement), pensionable salary increases of 3.35% per annum and pension increases of 3.1% per annum (for service before 6 April 2005) and 2.25% per annum (for service after 5 April 2005). The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations. As per end of 2008, the combination of the interest rate and a high risk spread result in a relatively low defined benefit obligation. Since additional payments by the insurance company were made, the net assets are temporarily higher than the defined benefit obligation. In accordance with applicable accounting standards, a net asset reduction was applied.

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 latest formal valuation for funding purposes was carried out at 31 March 2006. 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 90%. The sponsoring employer made a cash injection of £6.0m in June 2007 towards the shortfall being corrected within three years. The main assumptions in the valuation are an investment return of 4.7% to 6.3% per annum and pensionable salary increases of 3.25% to 4.25% 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 plan was closed to new entrants on 1 April 2001 and on 31 December 2008 the plan ceased accrual for the remaining four active members. Shortly before the year end, the Trustees purchased an insurance policy in respect of all members' benefits that will match future benefit payments, and as such the plan assets will equal the plan liabilities going forward. The annuity policy is currently retained by the Trustees as an investment of the plan, but the respective employer and Trustees may agree to convert the policy to individual member policies at a future date in order that the plan can be wound up.

## 29 Pension plans *(continued)*

### (b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK\$724 million (2007 - HK\$704 million). No forfeited contributions (2007 - HK\$2 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2008 (2007 - nil) to reduce future years' contributions.

## 30 Other non-current liabilities

	2008 HK\$ millions	2007 HK\$ millions
Fair value hedges (See note 27(a))		
Interest rate swaps	–	264
Cash flow hedges (See note 27(a))		
Interest rate swaps	50	–
Cross currency interest rate swaps	4	22
Forward foreign exchange contracts	–	187
Obligations for telecommunications licences and other rights	3,549	4,579
Provisions (See note 26)	983	877
	<b>4,586</b>	5,929

## 31 Share capital

	2008 Number of shares	2007 Number of shares	2008 HK\$ millions	2007 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7½% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			<b>1,778</b>	1,778
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 2008	1,066	28,359	28,954	8,563	243,072	310,014	48,644	358,658
Available-for-sale investments:								
Valuation losses taken to reserves	-	-	-	(2,837)	-	(2,837)	(277)	(3,114)
Valuation gains transferred to profit and loss account	-	-	-	(2,870)	-	(2,870)	(23)	(2,893)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:								
Losses taken to reserves	-	-	-	(660)	-	(660)	(110)	(770)
Losses transferred to profit and loss account	-	-	-	17	-	17	11	28
Gains transferred to initial cost of non-financial items	-	-	-	(45)	-	(45)	-	(45)
Exchange translation differences	-	-	(38,917)	-	-	(38,917)	(820)	(39,737)
Net actuarial losses of defined benefit plans	-	-	-	-	(3,130)	(3,130)	(515)	(3,645)
Others:								
Surplus on revaluation of properties upon transfer from other properties to investment properties	-	-	-	8	-	8	2	10
Transfer to retained profit upon maturity of convertible bonds of an associated company	-	-	-	(8)	8	-	-	-
Deferred tax effect on items taken directly to or transferred from reserves	-	-	-	-	113	113	(4)	109
Net expense recognised directly in equity	-	-	(38,917)	(6,395)	(3,009)	(48,321)	(1,736)	(50,057)
Profit after tax	-	-	-	-	17,664	17,664	6,986	24,650
Total recognised income and expense	-	-	(38,917)	(6,395)	14,655	(30,657)	5,250	(25,407)
Dividends paid relating to 2007	-	-	-	-	(5,201)	(5,201)	-	(5,201)
Dividends paid relating to 2008	-	-	-	-	(2,174)	(2,174)	-	(2,174)
Dividends paid to minority interests	-	-	-	-	-	-	(16,582)	(16,582)
Equity contribution from minority interests	-	-	-	-	-	-	350	350
Capitalisation of loan from minority interests	-	-	-	-	-	-	792	792
Share option scheme	-	-	-	10	-	10	38	48
Share option lapsed	-	-	-	(37)	37	-	-	-
Unclaimed dividends write back	-	-	-	-	5	5	-	5
Relating to repurchase of shares from minority shareholders	-	-	-	-	-	-	(508)	(508)
Relating to subsidiary companies acquired	-	-	-	-	-	-	(320)	(320)
Purchase of minority interests	-	-	-	-	-	-	(5,327)	(5,327)
Relating to disposal of subsidiary companies	-	-	(263)	(158)	-	(421)	223	(198)
At 31 December 2008	1,066	28,359	(10,226)	1,983	250,394	271,576	32,560	304,136

## 32 Equity (continued)

	Share capital HK\$ millions	Share premium <sup>(a)</sup> HK\$ millions	Exchange reserve HK\$ millions	Other reserves <sup>(b)</sup> HK\$ millions	Retained profit HK\$ millions	Total shareholders' funds HK\$ millions	Minority interests HK\$ millions	Total equity HK\$ millions
At 1 January 2007	1,066	28,359	21,801	3,807	218,761	273,794	16,771	290,565
Available-for-sale investments:								
Valuation gains taken to reserves	–	–	–	12,045	–	12,045	305	12,350
Valuation gains transferred to profit and loss account	–	–	–	(7,722)	–	(7,722)	(24)	(7,746)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:								
Gains taken to reserves	–	–	–	216	–	216	38	254
Losses transferred to initial cost of non-financial items	–	–	–	34	–	34	1	35
Exchange translation differences	–	–	6,788	–	–	6,788	912	7,700
Net actuarial gains of defined benefit plans	–	–	–	–	1,292	1,292	214	1,506
Others:								
Valuation gains arising from business combination taken to reserves	–	–	–	32	–	32	29	61
Share of other reserve movement of an associate company	–	–	–	–	(7)	(7)	(1)	(8)
Surplus on revaluation of properties upon transfer from other properties to investment properties	–	–	–	3	–	3	1	4
Deferred tax effect on items taken directly to or transferred from reserves	–	–	–	–	(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

(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 2008, revaluation reserve surplus amounted to HK\$2,444 million (1 January 2008 - HK\$8,145 million and 1 January 2007 - HK\$3,787 million), hedging reserve deficit amounted to HK\$523 million (1 January 2008 - surplus of HK\$167 million and 1 January 2007 - deficit of HK\$163 million) and other capital reserves surplus amounted to HK\$62 million (1 January 2008 - HK\$251 million and 1 January 2007 - HK\$183 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.

## 32 Equity (continued)

- (c) The Group's share of exchange reserve of associated companies and jointly controlled entities are losses of HK\$6,945 million (2007 - gains of HK\$2,749 million) and gains of HK\$997 million (2007 - HK\$1,197 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 losses of HK\$1,104 million (2007 - gains of HK\$96 million) and HK\$10 million (2007 - gains of HK\$9 million) respectively.

## 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 2008, total equity amounted to HK\$304,136 million (2007 - HK\$358,658 million), and consolidated net debt of the Group, excluding loans from minority shareholders which are viewed as quasi equity, was HK\$165,863 million (2007 - HK\$130,780 million). The Group's net debt to net total capital ratio increased to 34% from 26% 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

	2008	2007
A1 - excluding loans from minority shareholders from debt	34%	26%
A2 - as in A1 above and investments in listed subsidiaries and associated companies marked to market value	33%	21%
B1 - including loans from minority shareholders from debt	37%	28%
B2 - as in B1 above and investments in listed subsidiaries and associated companies marked to market value	35%	23%

- a Net debt is defined on the Consolidated Cash Flow Statement. Net total capital is defined as total principal amount of 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

	2008 HK\$ millions	2007 HK\$ millions
<b>Profit after tax</b>	<b>24,650</b>	32,865
Adjustments for:		
Current tax charge	3,444	2,768
Deferred tax charge (credit)	(2,576)	1,651
Interest and other finance costs	17,286	19,054
Change in fair value of investment properties	(672)	(1,988)
Depreciation and amortisation	37,447	38,872
Non-cash items included in profit (loss) on disposal of investments and others	(5,159)	13,216
Share of associated companies' and jointly controlled entities'		
Minority interests	(22)	365
Current tax charge	3,886	2,532
Deferred tax charge	2,256	1,579
Interest and other finance costs	3,222	3,446
Change in fair value of investment properties	(152)	(7)
Depreciation and amortisation	9,325	9,220
<b>EBITDA<sup>b</sup></b>	<b>92,935</b>	123,573
<b>3 Group telecommunications expensed CACs</b>	<b>3,457</b>	5,732
<b>EBITDA before 3 Group telecommunications expensed CACs</b>	<b>96,392</b>	129,305
Share of EBITDA of associated companies and jointly controlled entities	(36,323)	(68,295)
Profit on disposal of unlisted investments	–	(14)
Loss (profit) on disposal of fixed assets, leasehold land and investment properties	(1,532)	54
Dividends received from associated companies and jointly controlled entities	10,291	23,412
Distribution from property jointly controlled entities	101	2,685
Profit on disposal of subsidiary and associated companies and jointly controlled entities	(2,770)	(2,202)
Other non-cash items	(3,321)	1,461
	<b>62,838</b>	86,406

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

	2008 HK\$ millions	2007 HK\$ millions
Decrease in inventories	253	508
Increase in debtors and prepayments	(2,152)	(9,840)
Increase (decrease) in creditors	(1,079)	4,008
Other non-cash items	(2,193)	1,180
	<b>(5,171)</b>	<b>(4,144)</b>

## (c) Purchase of subsidiary companies

	2008		2007
	Book value HK\$ millions	Fair value HK\$ millions	Fair value HK\$ millions
Aggregate net assets acquired at acquisition date:			
Fixed assets	825	829	20,232
Leasehold land	–	–	409
Telecommunications licences	–	–	4,566
Telecommunications postpaid CACs	–	–	368
Goodwill	–	–	5,282
Brand names and other rights	–	–	4,660
Associated companies	–	–	2
Deferred tax assets	2	208	371
Liquid funds and other listed investments	–	–	444
Inventories	8	8	457
Cash and cash equivalents	28	28	45,757
Trade and other receivables	95	95	5,951
Bank and other debts	(97)	(97)	(18,373)
Pension obligations	–	–	(21)
Other non-current liabilities	–	–	(3,085)
Creditors and current tax liabilities	(258)	(258)	(7,827)
Deferred tax liabilities	–	–	(1,031)
Loans from minority shareholders	(562)	(562)	(272)
Minority interests	320	320	(29,815)
	<b>361</b>	<b>571</b>	<b>28,075</b>
Goodwill arising on acquisition		309	67
		<b>880</b>	<b>28,142</b>
Less: Cost of investments just prior to purchase		(880)	(27,733)
Discharged by cash payment		–	409

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

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

	2008		2007
	Book value HK\$ millions	Fair value HK\$ millions	Fair value HK\$ millions
Net cash outflow (inflow) arising from acquisition:			
Cash payment		–	409
Cash and cash equivalents acquired		(28)	(45,757)
Total net cash consideration		(28)	(45,348)

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

#### (d) Disposal of subsidiary companies

	2008 HK\$ millions	2007 HK\$ millions
Aggregate net assets (liabilities) disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	168	35
Investment properties	3,217	–
Leasehold land	1	–
Telecommunications licences	62	–
Goodwill	228	–
Inventories	27	66
Trade and other receivables	77	358
Bank and other debts	(4)	(79)
Other non-current liabilities	(23)	(46)
Creditors and current tax liabilities	(246)	(637)
Deferred tax liabilities	(604)	–
Minority interests	(107)	–
Reserves	(248)	17
Profit on disposal	2,548	(286)
	2,500	1,181
Less: Investments retained subsequent to disposal	5,048	895
	246	–
	5,294	895
Satisfied by:		
Cash and cash equivalents received as consideration	5,496	1,154
Less: Cash and cash equivalents sold	(202)	(259)
Total net cash consideration	5,294	895

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2008.

### 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 2008, assets of the Group totalling HK\$10,857 million (2007 - HK\$30,700 million) were pledged as security for bank and other debts.

### 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\$4,334 million (2007 - HK\$7,352 million).

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

	2008 HK\$ millions	2007 HK\$ millions
To associated companies		
Other businesses	871	2,522
To jointly controlled entities		
Property businesses	1,535	2,996
Other businesses	1,343	1,172
	<b>2,878</b>	<b>4,168</b>

At 31 December 2008, the Group had provided performance and other guarantees of HK\$7,820 million (2007 - HK\$9,390 million) primarily for telecommunications businesses.

### 37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2008 are as follows:

#### Capital commitments

1. Contracted for:

- i. Container terminals, Hong Kong - HK\$13 million (2007 - HK\$60 million)
- ii. Container terminals, Mainland China - HK\$1,176 million (2007 - HK\$2,422 million)
- iii. Container terminals, others - HK\$3,774 million (2007 - HK\$3,620 million)
- iv. Telecommunications - 3 Group - HK\$3,635 million (2007 - HK\$5,840 million)
- v. Telecommunications - HK\$1,612 million (2007 - HK\$3,070 million)
- vi. Investment properties outside Hong Kong - nil (2007 - HK\$2 million)
- vii. Investment in Joint Ventures outside Hong Kong - HK\$75 million (2007 - HK\$830 million)
- viii. Other fixed assets - HK\$355 million (2007 - HK\$664 million)

## 37 Commitments (continued)

### Capital commitments (continued)

#### 2. Authorised but not contracted for:

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

- i. Container terminals, Hong Kong - nil (2007 - HK\$380 million)
- ii. Container terminals, Mainland China - nil (2007 - HK\$4,750 million)
- iii. Container terminals, others - nil (2007 - HK\$14,997 million)
- iv. Telecommunications - 3 Group - HK\$5,144 million (2007 - HK\$11,656 million)
- v. Telecommunications - nil (2007 - HK\$4,673 million)
- vi. Investment properties outside Hong Kong - nil (2007 - HK\$949 million)
- vii. Investment in Joint Ventures, Hong Kong - HK\$131 million (2007 - nil)
- viii. Investment in Joint Ventures outside Hong Kong - HK\$635 million (2007 - HK\$176 million)
- ix. Other fixed assets - HK\$1,288 million (2007 - HK\$8,066 million)

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

#### Established Businesses

1. In the first year - HK\$7,584 million (2007 - HK\$8,075 million)
2. In the second to fifth years inclusive - HK\$21,244 million (2007 - HK\$21,329 million)
3. After the fifth year - HK\$43,895 million (2007 - HK\$46,122 million)

#### Telecommunications - 3 Group

1. In the first year - HK\$2,259 million (2007 - HK\$2,495 million)
2. In the second to fifth years inclusive - HK\$6,362 million (2007 - HK\$7,213 million)
3. After the fifth year - HK\$8,895 million (2007 - HK\$11,847 million)

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

#### Established Businesses

1. In the first year - HK\$624 million (2007 - HK\$422 million)
2. In the second to fifth years inclusive - HK\$2,434 million (2007 - HK\$312 million)
3. After the fifth year - HK\$3,630 million (2007 - HK\$142 million)

#### Telecommunications - 3 Group

1. In the first year - HK\$32 million (2007 - HK\$27 million)
2. In the second to fifth years inclusive - HK\$19 million (2007 - HK\$71 million)
3. After the fifth year - nil (2007 - HK\$223 million)

### Other commitments

3G handsets - HK\$1,280 million (2007 - HK\$1,601 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\$3,551 million (2007 - HK\$3,091 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 2008, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK\$25,301 million (2007 - HK\$22,509 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\$2,283 million (2007 - HK\$2,996 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 2008, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

### 40 Subsequent events

In February 2009, CKI and Hongkong Electric Holdings ("HEH") announced an agreement for HEH to purchase from CKI its 45% equity interest in three power plants in the Mainland for a consideration of HK\$5,680 million. Subject to completion of this transaction, CKI expects to report a gain on disposal of approximately HK\$1,348 million in its 2009 interim results, which after asset valuation consolidation adjustments will amount to approximately HK\$880 million in the Group's consolidated interim results.

In February 2009, HTAL announced an agreement to combine its businesses with Vodafone's businesses in Australia. On completion of the transaction, which is subject to shareholders and regulatory approvals, HTAL and Vodafone will each have equal 50% interests in the combined businesses.

In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), the holding company of the Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of The Stock Exchange of Hong Kong by way of introduction, involving no initial public offering of shares or raising of capital. Upon completion, HTHKH will become a separately listed subsidiary of the Group and its results will be consolidated in the Group's results.

### 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 2008, 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 115 to 198 were approved by the Board of Directors on 26 March 2009.

## 43 Profit before tax

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

	2008 HK\$ millions	2007 HK\$ millions
<b>Credits:</b>		
Share of profits less losses of associated companies		
Listed	14,934	46,788
Unlisted	710	1,034
	15,644	47,822
Share of gross rental income of associated companies and jointly controlled entities	649	562
Gross rental income from investment properties held by:		
Listed subsidiary - HHR	182	284
Other subsidiaries (excluding HHR)	2,750	2,467
Less: intra group rental income	(297)	(271)
	2,635	2,480
Less: related outgoings	(56)	(80)
Net rental income of subsidiary companies	2,579	2,400
Dividend and interest income from managed funds and other investments		
Listed	1,986	2,197
Unlisted	219	217
<b>Charges:</b>		
Depreciation and amortisation		
Fixed assets	17,268	17,616
Telecommunications licences	5,567	5,617
Telecommunications postpaid CACS	12,571	13,522
Leasehold land	1,018	986
Brand names and other rights	1,023	1,131
	37,447	38,872
Inventories write off	1,692	1,747
Operating leases		
Properties	15,938	12,943
Hire of plant and machinery	1,378	675
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	215	199
- other auditors	22	19
Non-audit work - PricewaterhouseCoopers	29	34
- other auditors	23	28

### 44 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures approved by the 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.

The Group continues to have a healthy financial position benefiting from both the steady cash flow from its established businesses and improving cash flow from the 3 Group businesses. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$88,021 million at 31 December 2008, 51% lower than the balance as at 31 December 2007 of HK\$180,499 million. The lower liquid assets balance at 31 December 2008 is mainly due to the Group's utilisation of cash deposits on hand to repay debts, as they matured and also to prepay certain debts maturing in late 2008 and in 2009 totalling HK\$83,729 million. Of the liquid assets, 13% were denominated in HK dollars, 48% in US dollars, 14% in Euro, 10% in Reminbi, 5% in British pounds and 10% in other currencies (2007 - 16% were denominated in HK dollars, 64% in US dollars, 6% in Euro, 5% in Reminbi, 3% in British pounds and 6% in other currencies).

Cash and cash equivalents represented 65% (2007 - 62%) of the liquid assets, US Treasury notes and listed fixed income securities 29% (2007 - 29%), listed equity securities 5% (2007 - 7%) and long-term deposits and others 1% (2007 - 2%).

The US Treasury notes and listed fixed income securities, including those held under managed funds, consisted of supranational notes (27%) (2007 - 19%), government guaranteed notes (25%) (2007 - 24%), financial institutions issued notes (21%) (2007 - 11%), government related entities issued notes (17%) (2007 - 4%) and US Treasury notes (10%) (2007 - 42%). Of these US Treasury notes and listed fixed income securities, 73% (2007 - 81%) are rated at Aaa/AAA with an average maturity of less than one year on the overall portfolio. The Group has no exposure in mortgage backed securities, collateralised debt obligations or similar asset classes.

#### (b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses 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. The Group's main interest rate exposures relate to US dollar, British pound, Euro and HK dollar borrowings.



## 44 Financial risk management (continued)

### (b) Interest rate exposure (continued)

At 31 December 2008, approximately 49% (2007 - approximately 56%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 51% (2007 - approximately 44%) were at fixed rates. The Group has entered into various interest rate agreements with major creditworthy financial institutions to swap approximately HK\$48,750 million (2007 - approximately HK\$84,630 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$3,013 million (2007 - HK\$3,845 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. The agreements have fixed interest payments at rates ranging from 5.3% to 6.8% with expiry in 2010. After taking into consideration these interest rate swaps, approximately 67% (2007 - approximately 82%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 33% (2007 - approximately 18%) were at fixed rates at 31 December 2008.

### (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 or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the year, the currencies of most of those countries where the Group has overseas operations weakened against the HK dollar. This gave rise to an unrealised loss of HK\$38,917 million (2007 - gain of HK\$6,788 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.

At 31 December 2008, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$62 million (2007 - HK\$97 million) to non-US dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, excluding loans from minority shareholders and after taking into consideration these currency swaps, are denominated as follows: 15% in HK dollars, 35% in US dollars, 33% in Euro, 6% in British pounds and 11% in other currencies (2007 - 12% in HK dollars, 31% in US dollars, 34% in Euro, 11% in British pounds and 12% in other currencies). During 2008 HTIL closed out all foreign exchange swap contracts (remaining contracts at 31 December 2007 amounted to US\$1,095 million) under which HTIL agreed to sell Thai Baht and buy US dollar at pre-agreed rates. HTIL entered into these contracts solely to fulfill local exchange control requirements when HTIL injected additional funding into Thailand for repayment of its outstanding external debt in 2007. HTIL recognised a loss of HK\$20 million in its profit and loss account in respect of these transactions in 2008.

### (d) Credit exposure

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

The Group is also exposed to counterparties credit risk from its operating activities. At the level of operations, counterparties risk of non-performance is continuously monitored in each area, i.e. locally. Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer.

### (e) Market price risk

The Group's main market price risk exposures relate to listed debt and equity securities described in "liquid assets" above and the interest rate swap as described in "interest rate exposure" above. The Group's holdings of listed debt and equity securities represented approximately 33% (2007 - approximately 35%) of the liquid assets. The Group controls this risk through monitoring the price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

44 Financial risk management *(continued)*

## (f) Market risks sensitivity analyses

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

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

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

*(i) Interest rate sensitivity analysis*

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

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

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

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

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

- cash and cash equivalents (see note 23)
- some of the listed debt securities and managed funds (see note 22) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 22) that bear interest at floating rate
- some of the bank and other debts (see note 27) that bear interest at floating rate
- interest bearing loans from minority shareholders (see note 28)

## 44 Financial risk management *(continued)*

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

#### (i) Interest rate sensitivity analysis *(continued)*

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

- profit for the year would decrease by HK\$1,374 million (2007 - HK\$1,838 million) due to increase in interest expense;
- total equity would decrease by HK\$1,374 million (2007 - HK\$1,838 million) due to increase in interest expense; and
- total equity would decrease by HK\$119 million (2007 - HK\$454 million) mainly due to decrease in value of available-for-sale investments.

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

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

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

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

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

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

- some of the cash and cash equivalents (see note 23)
- some of the liquid funds and other listed investments (see note 22)
- some of the bank and other debts (see note 27)

## 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 for the year and total equity is set out in the table below.

	2008		2007	
	Hypothetical increase (decrease) in profit for the year HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions	Hypothetical increase (decrease) in profit for the year HK\$ millions	Hypothetical increase (decrease) in total equity HK\$ millions
EURO	79	79	(28)	(28)
GBP	127	(148)	17	(273)
AUD	142	197	209	461
RMB	373	383	488	499
USD	2,702	2,704	7,755	7,763
Japanese Yen	(262)	(262)	(411)	(411)

## (iii) Other price sensitivity analysis

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

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

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

- available-for-sale investments (see note 22)
- financial assets at fair value through profit or loss (see note 22)

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

- profit for the year would increase by HK\$92 million (2007 - HK\$104 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$92 million (2007 - HK\$104 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$2,975 million (2007 - HK\$6,396 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 financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

	Contractual maturities					Carrying amounts HK\$ millions
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amount	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
<b>At 31 December 2008</b>						
Trade payables	23,571	–	–	23,571	–	23,571
Other payables and accruals	51,708	–	–	51,708	–	51,708
Interest free loans from minority shareholders	3,465	–	–	3,465	–	3,465
Bank loans	19,022	96,593	20	115,635	(287)	115,348
Other loans	3,842	363	17	4,222	(1)	4,221
Notes and bonds	1,110	64,260	68,657	134,027	4,490	138,517
Interest bearing loans from minority shareholders	–	12,482	866	13,348	–	13,348
Fair value hedges - interest rate swap (net settled)	–	–	–	–	–	–
	102,718	173,698	69,560	345,976	4,202	350,178

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$12,096 million in "within 1 year" maturity band, HK\$30,496 million in "after 1 year, but within 5 years" maturity band, and HK\$33,429 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Total undiscounted cash flows	Within 1 year	After 1 year, but within 5 years	After 5 years
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>At 31 December 2008</b>				
Derivative settled gross:				
Cash flow hedges - cross currency interest rate swaps				
- Inflow	74	47	27	–
- Outflow	(120)	(77)	(43)	–
Cash flow hedges - forward foreign exchange contracts				
- Inflow	6,782	3,737	3,045	–
- Outflow	(5,748)	(3,287)	(2,461)	–

## 44 Financial risk management (continued)

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

	Contractual maturities				Difference from carrying amount	Carrying amounts
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows		
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions		
<b>At 31 December 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	42,282	114,143	20	156,445	(406)	156,039
Other loans	134	7,178	67	7,379	(16)	7,363
Notes and bonds	7,871	27,504	112,080	147,455	(516)	146,939
Interest bearing loans from minority shareholders	42	8,696	3,770	12,508	–	12,508
Fair value hedges - interest rate swap (net settled)	267	(14)	86	339	(72)	267
	134,035	157,507	116,023	407,565	(1,010)	406,555

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$16,121 million in "within 1 year" maturity band, HK\$44,224 million in "after 1 year, but within 5 years" maturity band, and HK\$40,182 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Total undiscounted cash flows	Within 1 year	After 1 year, but within 5 years	After 5 years
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>At 31 December 2007</b>				
Derivative settled gross:				
Cash flow hedges - cross currency interest rate swaps				
- 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)	–

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

	2008 HK\$ millions	2007 HK\$ millions
Change in fair value of financial assets at fair value through profit or loss	(313)	(36)
Gains arising on derivatives in a designated fair value hedge	5,182	3,428
Losses arising on adjustment for hedged item in a designated fair value hedge	(5,182)	(3,428)
Interest income on available-for-sale financial assets	1,801	1,957

## 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 2008 is set out as follows:

	2008 HK\$ millions	2007 HK\$ millions
<b>Assets</b>		
Non-current assets		
Subsidiary companies - Unlisted shares <sup>(a)</sup>	34,705	34,705
Current assets		
Amounts due from subsidiary companies <sup>(b)</sup>	72,100	53,497
Dividends and other receivables from subsidiary companies	–	9,007
	72,100	62,504
Current liabilities		
Bank overdrafts	2	2
Other payables and accruals	82	116
	84	118
Net current assets	72,016	62,386
<b>Net assets</b>	<b>106,721</b>	<b>97,091</b>
<b>Capital and reserves</b>		
Share capital (See note 31)	1,066	1,066
Reserves <sup>(c)</sup>	105,655	96,025
<b>Shareholders' funds</b>	<b>106,721</b>	<b>97,091</b>

**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 193 to 198.
- (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 2007	28,359	59,001	87,360
Profit for the year	—	16,032	16,032
Unclaimed dividend paid write back	—	8	8
Dividends paid relating to 2006	—	(5,201)	(5,201)
Dividends paid relating to 2007	—	(2,174)	(2,174)
At 31 December 2007	<b>28,359</b>	<b>67,666</b>	<b>96,025</b>
Profit for the year	—	17,000	17,000
Unclaimed dividend paid write back	—	5	5
Dividends paid relating to 2007	—	(5,201)	(5,201)
Dividends paid relating to 2008	—	(2,174)	(2,174)
At 31 December 2008	<b>28,359</b>	<b>77,296</b>	<b>105,655</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 principal amounts of consolidated borrowings included in note 27 totalling HK\$253,884 million (2007 - HK\$311,279 million), the Company has guaranteed a total of HK\$191,972 million (2007 - HK\$245,322 million) which has been borrowed in the name of subsidiary companies.
- (f) The Company has historically provided some guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and jointly controlled entities. At 31 December 2008, no guarantees were outstanding (2007 - HK\$470 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\$17,000 million (2007 - HK\$16,032 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 2008 amounting to HK\$77,296 million (2007 - HK\$67,666 million).