Notes to the Accounts

1 Basis of preparation

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2012. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2012 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(b) Subsidiary companies

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

(c) Associated companies

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

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

(d) Joint ventures

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

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

2 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 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Motor vehicles	20-25%
Plant, machinery and equipment	3 $^{1}/_{3}$-20%
Container terminal equipment	3-20%
Telecommunications equipment	2.5-10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

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

(f) Investment properties

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

(g) Leasehold land

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

(h) Telecommunications licences

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

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

(i) Telecommunications customer acquisition costs

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

2 Significant accounting policies (continued)

(j) Goodwill

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

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

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

(k) Brand names and other rights

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

(l) Deferred tax

Deferred tax is recognised, 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 deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

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

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

Loans and receivables

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

Held-to-maturity investments

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

2 Significant accounting policies (continued)

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

(n) Derivative financial instruments and hedging activities

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

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

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

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

2 Significant accounting policies (continued)

(o) Trade and other receivables

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

(p) Properties under development

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

(q) Inventories

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

(r) Cash and cash equivalents

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

(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 amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

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

(t) Trade and other payables

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

(u) Customer loyalty credits

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

(v) Share capital

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

(w) Provisions

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

2 Significant accounting policies (continued)

(x) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(y) Asset impairment

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

(z) Pension plans

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

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

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

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

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

(aa) Share-based payments

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

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

2 Significant accounting policies (continued)

(ab) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

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

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

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

All other exchange differences are recognised in the income statement.

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Ports and related services

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

Property and hotels

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

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

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

2 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Retail

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

Infrastructure

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

Energy

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

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

Mobile and fixed-line telecommunications services

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

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

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

Other service income is recognised when the service is rendered.

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

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

Finance and investments

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

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

2 Significant accounting policies (continued)

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

HKFRS 7 (Amendments) (i)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9 (iii)	Financial Instruments
HKFRS 9 and 7 (Amendments) (iii)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 10 (i)	Consolidated Financial Statements
HKFRS 11 (i)	Joint Arrangements
HKFRS 12 (i)	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 (Amendments) (i)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10, 12 and HKAS 27 (Amendments) (ii)	Investments Entities
HKFRS 13 (i)	Fair Value Measurement
HKAS 27 (2011) (i)	Separate Financial Statements
HKAS 28 (2011) (i)	Investments in Associates and Joint Ventures
HKAS 1 (Amendments) (i)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011) (i)	Employees Benefits
HKAS 32 (Amendments) (ii)	Offsetting Financial Assets and Financial Liabilities
Annual Improvements 2009-2011 Cycle (i)	Improvements to HKFRSs

(i) Effective for the Group for annual periods beginning on or after 1 January 2013

(ii) Effective for the Group for annual periods beginning on or after 1 January 2014

(iii) Effective for the Group for annual periods beginning on or after 1 January 2015

The adoption of standards, amendments and interpretations listed above, with the exception of HKFRS 9 in future periods is not expected to have any material impact on the Group's results of operations and financial position.

The HKICPA intends to expand HKFRS 9 to add new requirements for impairment of financial assets measured at amortised cost and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further developments resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

3 Critical accounting estimates and judgements

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

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

(a) Basis of consolidation

The determination of the Group's level of power to govern the financial and operating policies of another entity will require exercise of judgement under certain circumstances. As such, the classification of the entity as a subsidiary, a joint venture, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to govern the financial and operating policies of the entity.

(b) Long-lived assets

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

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

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

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

The Group's **3**G businesses have achieved a third year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at 31 December 2012 and 31 December 2011 to assess whether the carrying values of the Group's **3**G telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2012 and 31 December 2011 indicated that no impairment charge was necessary.

3 Critical accounting estimates and judgements (continued)

(b) Long-lived assets (continued)

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

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. The increase in data usage, which continued to drive growth in the mobile telecommunications business, is forecast to continue supported by the popularity of smartphones. 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 increased percentage on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; gradual stabilisation of European mobile termination regimes; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programmes, stringent cost controls, and effective working capital management. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

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

For the purposes of impairment tests, the recoverable amount of the Group's **3**G telecommunications licences, network assets and goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting current and prior year performances and market development expectations. Projections in excess of the approved financial budgets period are used to take into account telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment tests, a market specific growth rate ranging from approximately 2% to 3% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect our expectation of the performance of these businesses nor our forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 4.6% and 4.9% used in the Group's **3**G operations in Italy and the UK respectively). Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

3 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation

(i) Fixed assets

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

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

(ii) Telecommunications licences

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

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

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

(iii) Telecommunications customer acquisition costs

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

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

(d) Goodwill

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

3 Critical accounting estimates and judgements (continued)

(e) Investment properties valuation

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

(f) Tax

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

Deferred tax is recognised, 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 to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits 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. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the deductible temporary differences and the carry forward of unutilised losses and tax credits, the asset balance will be reduced and charged to the income statement.

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

3 Critical accounting estimates and judgements (continued)

(g) Pension costs

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

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

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

(h) Sale and leaseback transactions

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

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

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

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

4 Turnover and revenue

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

	2012 HK$ millions	2011 HK$ millions
Sales of goods	**149,702**	141,214
Rendering of services	**89,544**	89,223
Interest	**3,593**	3,004
Dividends	**250**	259
	243,089	233,700

5 Operating segment information

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

The Group's telecommunications division consists of a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange of Hong Kong, Hutchison Asia Telecommunications, an 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA"), and **3** Group Europe with businesses in 6 countries in Europe.

From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. Consequently, HTAL's share of VHA's results for the second half of 2012 (including VHA's share of certain network closure costs and restructuring costs) is presented as a separate item under profits on disposal of investments and others (see note 6(a)) to separately identify it from the Group's recurring earnings profile during this phase. In light of this, previously reported "**3** Group" operating segment, comprising **3** Group Europe and HTAL, is re-presented with **3** Group Europe presented on a standalone basis. For HTAL, its share of VHA's results for the second half of 2012 is reflected, as aforementioned, in profits on disposal of investments and others, and the rest of its results for the current year are presented in this segmental analysis as part of the "Reconciliation item" to reconcile segment results to consolidated results of the Company. Prior year corresponding segment information that is presented for comparative purposes has been restated accordingly.

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Property and hotels is HK$353 million (2011 – HK$324 million), Hutchison Telecommunications Hong Kong Holdings is HK$119 million (2011 – HK$121 million) and Hutchison Asia Telecommunications is HK$8 million (2011 – nil).

5 Operating segment information (continued)

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

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2012 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%
Ports and related services	25,647	7,294	32,941	8%	25,094	6,735	31,829	8%
Hutchison Ports Group other than HPH Trust operations	25,627	4,581	30,208	7%	24,628	4,566	29,194	7%
HPH Trust / HPH Trust operations#	20	2,713	2,733	1%	466	2,169	2,635	1%
Property and hotels	6,341	13,629	19,970	5%	6,046	11,180	17,226	4%
Retail	121,525	27,101	148,626	37%	118,051	25,513	143,564	37%
Cheung Kong Infrastructure	4,254	35,439	39,693	10%	3,637	26,790	30,427	8%
Husky Energy*	–	59,224	59,224	15%	–	59,103	59,103	15%
Hutchison Telecommunications Hong Kong Holdings	15,536	–	15,536	4%	13,407	–	13,407	4%
Hutchison Asia Telecommunications	4,452	–	4,452	1%	2,332	–	2,332	1%
3 Group Europe	58,708	–	58,708	15%	56,877	–	56,877	15%
Finance & Investments and others	6,626	4,967	11,593	3%	6,545	4,383	10,928	3%
	243,089	147,654	390,743	98%	231,989	133,704	365,693	95%
Reconciliation item@	–	7,648	7,648	2%	648	17,452	18,100	5%
	243,089	155,302	398,391	100%	232,637	151,156	383,793	100%
Non-controlling interests' share of HPH Trust / HPH Trust operations' revenue	–	886	886		1,063	726	1,789	
	243,089	156,188	399,277		233,700	151,882	385,582	

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' revenue based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable revenue for the year ended 31 December 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 so that the year-on-year changes can be calculated on a like-for-like basis. Revenue reduced by HK$886 million and HK$2,478 million for 2012 and 2011 respectively, being (1) HK$689 million adjustment to reduce 2011 revenue to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 shown under "Reconciliation item"; and (2) HK$886 million and HK$1,789 million adjustments to exclude non-controlling interests' share of revenue of HPH Trust / HPH Trust operations for 2012 and 2011 respectively.

* revenue reduced by HK$3,924 million for the year ended 31 December 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and cost of sales following a change in presentation adopted by Husky Energy in 2012.

@ the reconciliation item in 2012 comprises revenue of HTAL and its share of VHA for the first half of 2012 of HK$7,648 million. The reconciliation item in 2011 comprises revenue of HTAL and its share of VHA for the full year of 2011 of HK$17,411 million and revenue adjustments that relate to HPH Trust / HPH Trust operations as mentioned above of HK$689 million.

5 Operating segment information (continued)

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

	EBITDA (LBITDA) (m)							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2012 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%
Ports and related services	7,436	4,017	11,453	13%	7,819	3,541	11,360	14%
Hutchison Ports Group other than HPH Trust operations	7,428	2,561	9,989	11%	7,557	2,317	9,874	12%
HPH Trust / HPH Trust operations#	8	1,456	1,464	2%	262	1,224	1,486	2%
Property and hotels	4,161	6,758	10,919	13%	4,122	5,781	9,903	12%
Retail	10,254	2,471	12,725	15%	9,626	2,098	11,724	15%
Cheung Kong Infrastructure	1,699	19,706	21,405	24%	1,405	15,837	17,242	21%
Husky Energy	–	14,889	14,889	17%	–	16,053	16,053	20%
Hutchison Telecommunications Hong Kong Holdings	3,032	30	3,062	3%	2,618	(2)	2,616	3%
Hutchison Asia Telecommunications(o)	423	–	423	–	(142)	–	(142)	–
3 Group Europe	9,227	(14)	9,213	11%	8,031	–	8,031	10%
Finance & Investments and others	1,255	1,395	2,650	3%	(375)	1,062	687	1%
	37,487	49,252	86,739	99%	33,104	44,370	77,474	96%
Reconciliation item@	(7)	875	868	1%	363	2,515	2,878	4%
EBITDA before property revaluation and profits on disposal of investments and others	37,480	50,127	87,607	100%	33,467	46,885	80,352	100%
Dilution gain arising from spin-off and separate listing of HPH Trust (see note 6(b))	–	–	–		55,644	–	55,644	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBITDA	–	611	611		677	510	1,187	
EBITDA (see note 33(a))	37,480	50,738	88,218		89,788	47,395	137,183	
Depreciation and amortisation	(14,149)	(15,834)	(29,983)		(14,080)	(15,656)	(29,736)	
One-time gains(p)	447	–	447		457	–	457	
Change in fair value of investment properties	790	377	1,167		–	780	780	
Others (see note 6)	–	(2,052)	(2,052)		(12,497)	–	(12,497)	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(7,116)	(7,116)		–	(6,389)	(6,389)	
Current tax	–	(5,564)	(5,564)		–	(4,047)	(4,047)	
Deferred tax	–	(731)	(731)		–	(2,106)	(2,106)	
Non-controlling interests	–	(362)	(362)		–	(281)	(281)	
	24,568	19,456	44,024		63,668	19,696	83,364	

represents the Group's attributable share of HPH Trust / HPH Trust operations' EBITDA based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable EBITDA for the year ended 31 December 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 so that the year-on-year changes can be calculated on a like-for-like basis. EBITDA reduced by HK$611 million and HK$1,572 million for 2012 and 2011 respectively, being (1) HK$385 million adjustment to reduce 2011 EBITDA to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 shown under "Reconciliation item"; and (2) HK$611 million and HK$1,187 million adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust / HPH Trust operations for 2012 and 2011 respectively.

@ the reconciliation item in 2012 comprises EBITDA of HTAL and its share of VHA for the first half of 2012 of HK$868 million. The reconciliation item in 2011 comprises EBITDA of HTAL and its share of VHA for the full year of 2011 of HK$2,493 million and EBITDA adjustments that relate to HPH Trust / HPH Trust operations as mentioned above of HK$385 million.

5 Operating segment information (continued)

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

	EBIT (LBIT) [n]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2012 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%
Ports and related services	4,980	2,811	7,791	13%	5,399	2,449	7,848	15%
Hutchison Ports Group other than HPH Trust operations	4,972	1,930	6,902	12%	5,257	1,680	6,937	13%
HPH Trust / HPH Trust operations#	8	881	889	1%	142	769	911	2%
Property and hotels	3,915	6,638	10,553	18%	3,870	5,647	9,517	18%
Retail	8,084	1,964	10,048	17%	7,722	1,608	9,330	18%
Cheung Kong Infrastructure	1,581	15,062	16,643	29%	1,273	12,205	13,478	26%
Husky Energy	–	7,427	7,427	13%	–	8,614	8,614	17%
Hutchison Telecommunications Hong Kong Holdings	1,750	6	1,756	3%	1,439	(4)	1,435	3%
Hutchison Asia Telecommunications[o]	(846)	–	(846)	-1%	(1,181)	–	(1,181)	-2%
3 Group Europe[p]								
EBITDA before the following:	31,654	(14)	31,640		27,634	–	27,634	
Telecommunications CACs	(22,427)	–	(22,427)		(19,603)	–	(19,603)	
EBITDA before the following non-cash items (see note 33(e)):	9,227	(14)	9,213		8,031	–	8,031	
Depreciation	(6,248)	–	(6,248)		(6,502)	–	(6,502)	
Amortisation of licence fees and other rights	(267)	–	(267)		(419)	–	(419)	
One-time gains[p]	447	–	447		457	–	457	
EBIT (LBIT) – **3** Group Europe[p]	3,159	(14)	3,145	5%	1,567	–	1,567	3%
Finance & Investments and others	1,162	1,178	2,340	4%	(479)	949	470	1%
	23,785	35,072	58,857	101%	19,610	31,468	51,078	99%
Reconciliation item@	(7)	(560)	(567)	-1%	360	(68)	292	1%
EBIT before property revaluation and profits on disposal of investments and others	23,778	34,512	58,290	100%	19,970	31,400	51,370	100%
Change in fair value of investment properties	790	377	1,167		–	780	780	
EBIT	24,568	34,889	59,457		19,970	32,180	52,150	
Profits on disposal of investments and others (see note 6)	–	(2,052)	(2,052)		43,147	–	43,147	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBIT	–	392	392		551	339	890	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(7,116)	(7,116)		–	(6,389)	(6,389)	
Current tax	–	(5,564)	(5,564)		–	(4,047)	(4,047)	
Deferred tax	–	(731)	(731)		–	(2,106)	(2,106)	
Non-controlling interests	–	(362)	(362)		–	(281)	(281)	
	24,568	19,456	44,024		63,668	19,696	83,364	

5 Operating segment information (continued)

(c) # represents the Group's attributable share of HPH Trust / HPH Trust operations' EBIT based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable EBIT for the year ended 31 December 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and also includes the additional depreciation in 2012 on marking HPH Trust's assets to fair value on Initial Public Offering ("IPO") so that the year-on-year changes can be calculated on a like-for-like basis. EBIT reduced by HK$392 million and HK$1,268 million for 2012 and 2011 respectively, being (1) HK$378 million adjustment to reduce 2011 EBIT to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and to adjust for the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO, shown under "Reconciliation item"; and (2) HK$392 million and HK$890 million adjustments to exclude non-controlling interests' share of EBIT of HPH Trust / HPH Trust operations for 2012 and 2011 respectively.

@ the reconciliation item in 2012 comprises LBIT of HTAL and its share of VHA for the first half of 2012 of HK$567 million. The reconciliation item in 2011 comprises LBIT of HTAL and its share of VHA for the full year of 2011 of HK$86 million and EBIT adjustments that relate to HPH Trust / HPH Trust operations as mentioned above of HK$378 million.

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

	Depreciation and amortisation					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2012 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions
Ports and related services	**2,456**	**1,206**	**3,662**	2,420	1,092	3,512
Hutchison Ports Group other than HPH Trust operations	**2,456**	**631**	**3,087**	2,300	637	2,937
HPH Trust / HPH Trust operations#	**–**	**575**	**575**	120	455	575
Property and hotels	**246**	**120**	**366**	252	134	386
Retail	**2,170**	**507**	**2,677**	1,904	490	2,394
Cheung Kong Infrastructure	**118**	**4,644**	**4,762**	132	3,632	3,764
Husky Energy	**–**	**7,462**	**7,462**	–	7,439	7,439
Hutchison Telecommunications Hong Kong Holdings	**1,282**	**24**	**1,306**	1,179	2	1,181
Hutchison Asia Telecommunications	**1,269**	**–**	**1,269**	1,039	–	1,039
3 Group Europe	**6,515**	**–**	**6,515**	6,921	–	6,921
Finance & Investments and others	**93**	**217**	**310**	104	113	217
	14,149	**14,180**	**28,329**	13,951	12,902	26,853
Reconciliation item@	**–**	**1,435**	**1,435**	3	2,583	2,586
	14,149	**15,615**	**29,764**	13,954	15,485	29,439
Non-controlling interests' share of HPH Trust / HPH Trust operations' depreciation and amortisation	**–**	**219**	**219**	126	171	297
	14,149	**15,834**	**29,983**	14,080	15,656	29,736

represents the Group's attributable share of HPH Trust / HPH Trust operations' depreciation and amortisation based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable depreciation and amortisation for the year ended 31 December 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and also includes the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO so that the year-on-year changes can be calculated on a like-for-like basis. Depreciation and amortisation reduced by HK$219 million and HK$304 million for 2012 and 2011 respectively, being (1) HK$7 million adjustment to reduce 2011 depreciation and amortisation to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and to adjust for the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO, shown under "Reconciliation item"; and (2) HK$219 million and HK$297 million adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust / HPH Trust operations for 2012 and 2011 respectively.

@ the reconciliation item in 2012 comprises depreciation and amortisation of HTAL and its share of VHA for the first half of 2012 of HK$1,435 million. The reconciliation item in 2011 comprises depreciation and amortisation of HTAL and its share of VHA for the full year of 2011 of HK$2,579 million and depreciation and amortisation adjustments that relate to HPH Trust / HPH Trust operations as mentioned above of HK$7 million.

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2012 Total	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2011 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	7,556	–	–	7,556	5,928	–	–	5,928
Hutchison Ports Group other than HPH Trust operations	7,556	–	–	7,556	5,788	–	–	5,788
HPH Trust / HPH Trust operations	–	–	–	–	140	–	–	140
Property and hotels	271	–	–	271	274	–	–	274
Retail	3,055	–	–	3,055	2,622	–	–	2,622
Cheung Kong Infrastructure	680	–	–	680	353	–	–	353
Husky Energy	–	–	–	–	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	1,600	152	20	1,772	1,143	1,532	70	2,745
Hutchison Asia Telecommunications	2,017	17	97	2,131	6,543	1,351	–	7,894
3 Group Europe[q]	11,323	2,253	23	13,599	8,158	2,810	12	10,980
Finance & Investments and others	43	–	–	43	128	–	–	128
	26,545	2,422	140	29,107	25,149	5,693	82	30,924

5 Operating segment information (continued)

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

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[r]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2012 Total assets	Segment assets[r]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2011 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	66,021	165	27,938	94,124	61,143	146	27,776	89,065
Hutchison Ports Group other than HPH Trust operations	66,021	165	13,334	79,520	61,143	146	12,638	73,927
HPH Trust / HPH Trust operations	–	–	14,604	14,604	–	–	15,138	15,138
Property and hotels	51,344	48	41,379	92,771	51,640	134	39,597	91,371
Retail	50,297	545	6,444	57,286	48,184	444	5,559	54,187
Cheung Kong Infrastructure	17,406	22	77,111	94,539	14,744	15	68,115	82,874
Husky Energy	–	–	54,023	54,023	–	–	48,552	48,552
Hutchison Telecommunications Hong Kong Holdings	19,296	369	484	20,149	18,635	369	326	19,330
Hutchison Asia Telecommunications	21,387	1	–	21,388	18,356	–	–	18,356
3 Group Europe[s]	208,310	16,850	9	225,169	199,154	15,808	–	214,962
Finance & Investments and others	129,473	32	2,865	132,370	86,419	23	2,411	88,853
	563,534	18,032	210,253	791,819	498,275	16,939	192,336	707,550
Reconciliation item[@]	23	35	12,004	12,062	12	53	12,929	12,994
	563,557	18,067	222,257	803,881	498,287	16,992	205,265	720,544

@ the reconciliation item comprises total assets of HTAL.

5 Operating segment information (continued)

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

	Total liabilities							
	Segment liabilities[t]	Current & non-current borrowings[u] and other non-current liabilities	Current & deferred tax liabilities	2012 Total liabilities	Segment liabilities[t]	Current & non-current borrowings[u] and other non-current liabilities	Current & deferred tax liabilities	2011 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	16,132	27,945	5,043	49,120	14,993	23,906	4,600	43,499
Hutchison Ports Group other than HPH Trust operations	16,132	27,945	5,043	49,120	14,993	23,906	4,600	43,499
HPH Trust / HPH Trust operations	–	–	–	–	–	–	–	–
Property and hotels	2,384	450	2,364	5,198	2,142	511	2,356	5,009
Retail	25,765	6,307	1,231	33,303	23,302	6,421	1,062	30,785
Cheung Kong Infrastructure	3,453	11,599	1,010	16,062	2,345	14,669	933	17,947
Husky Energy	–	–	–	–	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	4,820	4,691	289	9,800	4,541	4,885	241	9,667
Hutchison Asia Telecommunications	2,943	2,142	2	5,087	4,250	2,407	1	6,658
3 Group Europe	20,979	128,645	213	149,837	24,493	117,552	393	142,438
Finance & Investments and others	5,382	89,640	1,677	96,699	4,839	59,001	1,738	65,578
	81,858	271,419	11,829	365,106	80,905	229,352	11,324	321,581
Reconciliation item@	183	–	–	183	180	–	–	180
	82,041	271,419	11,829	365,289	81,085	229,352	11,324	321,761

@ the reconciliation item comprises total liabilities of HTAL.

Additional information in respect of geographical locations

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

	Revenue							
	Company and Subsidiaries	Associates and JCE	2012 Total		Company and Subsidiaries	Associates and JCE	2011 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	53,705	10,294	63,999	16%	49,296	11,490	60,786	16%
Mainland China	24,110	18,602	42,712	11%	21,972	12,937	34,909	9%
Europe	125,087	43,863	168,950	42%	125,232	37,168	162,400	42%
Canada[v]	111	59,187	59,298	15%	120	59,080	59,200	15%
Asia, Australia and others	33,450	18,389	51,839	13%	29,472	26,098	55,570	15%
Finance & Investments and others	6,626	4,967	11,593	3%	6,545	4,383	10,928	3%
	243,089	155,302	398,391 (1)	100%	232,637	151,156	383,793 (1)	100%

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

5 Operating segment information (continued)

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

	EBITDA (LBITDA) [m]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2012 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%
Hong Kong	7,089	5,258	12,347	14%	7,491	5,340	12,831	16%
Mainland China	4,074	8,460	12,534	14%	3,327	7,814	11,141	14%
Europe	16,651	13,809	30,460	35%	15,189	10,083	25,272	31%
Canada[v]	95	14,650	14,745	17%	115	15,969	16,084	20%
Asia, Australia and others	8,316	6,555	14,871	17%	7,720	6,617	14,337	18%
Finance & Investments and others	1,255	1,395	2,650	3%	(375)	1,062	687	1%
EBITDA before property revaluation and profits on disposal of investments and others	37,480	50,127	87,607 (2)	100%	33,467	46,885	80,352 (2)	100%

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

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

	EBIT (LBIT) [n]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2012 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%
Hong Kong	5,263	3,822	9,085	16%	5,709	4,052	9,761	19%
Mainland China	3,524	7,499	11,023	19%	2,835	6,910	9,745	19%
Europe	8,424	11,132	19,556	34%	6,774	8,235	15,009	29%
Canada[v]	96	7,175	7,271	12%	114	8,534	8,648	17%
Asia, Australia and others	5,309	3,706	9,015	15%	5,017	2,720	7,737	15%
Finance & Investments and others	1,162	1,178	2,340	4%	(479)	949	470	1%
EBIT before property revaluation and profits on disposal of investments and others	23,778	34,512	58,290	100%	19,970	31,400	51,370	100%
Change in fair value of investment properties	790	377	1,167		–	780	780	
EBIT	24,568	34,889	59,457 (3)		19,970	32,180	52,150 (3)	

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

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2012 Total	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2011 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	2,412	152	17	2,581	1,841	1,532	62	3,435
Mainland China	2,228	–	–	2,228	1,844	–	–	1,844
Europe	15,012	2,253	23	17,288	11,043	2,810	12	13,865
Canada	–	–	–	–	–	–	–	–
Asia, Australia and others	6,850	17	100	6,967	10,293	1,351	8	11,652
Finance & Investments and others	43	–	–	43	128	–	–	128
	26,545	2,422	140	29,107	25,149	5,693	82	30,924

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

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[f]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2012 Total assets	Segment assets[f]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2011 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	75,669	442	28,243	104,354	76,164	525	28,814	105,503
Mainland China	11,815	346	64,041	76,202	9,354	261	56,318	65,933
Europe	278,263	16,969	48,167	343,399	266,192	15,921	38,843	320,956
Canada[v]	410	–	50,325	50,735	264	–	48,162	48,426
Asia, Australia and others	67,927	278	28,616	96,821	59,894	262	30,717	90,873
Finance & Investments and others	129,473	32	2,865	132,370	86,419	23	2,411	88,853
	563,557	18,067	222,257	803,881	498,287	16,992	205,265	720,544

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

5 Operating segment information (continued)

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

(o) Included in EBITDA and EBIT of Hutchison Asia Telecommunications in 2012 are compensation contributions amounting to HK$1,590 million (2011 – HK$1,270 million).

(p) Included in EBIT (LBIT) of **3** Group Europe in 2012 is a one-time net gain of HK$447 million from a network sharing arrangement, which includes a benefit of HK$2,032 million from future cost savings arising from a right to share another Irish operator's mobile network, partially offset by a HK$1,585 million one-time provision mainly related to the restructuring of **3** Ireland's network infrastructure. Included in comparable EBIT (LBIT) of **3** Group Europe in 2011 is a one-time net gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million.

(q) Included in capital expenditures of **3** Group Europe in 2012 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2012 which has an effect of increasing total expenditures by HK$253 million (2011 – HK$68 million).

(r) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and others amounted to HK$95,805 million (2011 – HK$94,873 million), HK$73,676 million (2011 – HK$64,104 million), HK$270,566 million (2011 – HK$248,449 million), HK$50,366 million (2011 – HK$48,204 million) and HK$73,054 million (2011 – HK$72,207 million) respectively.

(s) Included in total assets of **3** Group Europe is an unrealised foreign currency exchange gain arising in 2012 of HK$3,055 million (2011 – HK$626 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

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

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

(v) Include contribution from the United States of America for Husky Energy.

6 Profits on disposal of investments and others

	Attributable to			
	Ordinary shareholders of the Company	Holders of perpetual capital securities	Non-controlling interests	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Year ended 31 December 2012				
Profits on disposal of investments	**–**	**–**	**–**	**–**
Others				
HTAL – share of operating losses of joint venture VHA for the second half of 2012[(a)]	**(1,803)**	**–**	**(249)**	**(2,052)**
Year ended 31 December 2011				
Profits on disposal of investments				
Dilution gain arising from spin-off and separate listing of HPH Trust[(b)]	44,290	–	11,354	55,644
Others				
Provision for impairment on certain port assets[(c)]	(7,110)	–	(1,075)	(8,185)
Provision for impairment on fixed assets[(d)]	(2,997)	–	–	(2,997)
Write-off of fixed assets[(e)]	(1,315)	–	–	(1,315)
	(11,422)	–	(1,075)	(12,497)
	32,868	–	10,279	43,147

(a) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the second half of 2012 (including share of certain network closure costs and restructuring costs) is presented as a separate item above to separately identify it from the recurring earnings profile during this phase.

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

(c) In 2011, following the IPO of the HPH Trust, a strategic review of its ports portfolio, and assessment of the market opportunities, the Group recognised impairment charges on certain port assets. One-time impairment charges are recognised on these port assets in view of the performance, uncertain business climate and the continuing challenging trading environment faced by these operations. In aggregate the impairment charges amounted to HK$8,185 million. The main classes of assets affected by these impairment charges are fixed assets and interests in joint ventures and associated companies.

(d) In 2011, the Group recognised a one-time impairment charge of HK$2,997 million in relation to fixed assets of Hutchison Asia Telecommunications in Vietnam in view of an ongoing reassessment of the business opportunity in that country. The recoverable amount of these fixed assets is determined based on the higher of fair value less cost to sell and value in use calculations, which are estimated by reference to market transactions and projected cash flows. The charge reflects the effects of market pressure and increasing competition on projected cash flows.

(e) In 2011, the Group recognised a one-time write-off of HK$1,315 million as a result of a review process by **3** UK on its fixed assets base, following near finalisation of network integration processes.

7 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2012 and 2011 are as below (also see Report of the Directors):

	2012					
Name of directors	Director's Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Discretionary bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a)] [(f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.59	46.55	–	–	51.26
Paid by Cheung Kong Infrastructure	0.08	–	21.78	–	–	21.86
Paid to the Company	(0.08)	–	–	–	–	(0.08)
	0.12	4.59	68.33	–	–	73.04
FOK Kin Ning, Canning [(b)]	0.12	10.67	166.33	2.22	–	179.34
CHOW WOO Mo Fong, Susan [(b)]	0.12	7.85	38.02	1.59	–	47.58
Frank John SIXT [(b)]	0.12	7.88	36.78	0.69	–	45.47
LAI Kai Ming, Dominic [(b)]	0.12	5.26	36.30	1.01	–	42.69
KAM Hing Lam						
Paid by the Company	0.12	2.30	8.29	–	–	10.71
Paid by Cheung Kong Infrastructure	0.08	4.20	9.31	–	–	13.59
Paid to the Company	(0.08)	(4.20)	–	–	–	(4.28)
	0.12	2.30	17.60	–	–	20.02
George Colin MAGNUS [(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.08	–	–	–	–	0.08
	0.20	–	–	–	–	0.20
Michael David KADOORIE [(c)]	0.12	–	–	–	–	0.12
Holger KLUGE [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
LEE Wai Mun, Rose [(c)] [(h)]	0.02	–	–	–	–	0.02
Margaret LEUNG KO May Yee [(c)] [(g)]	0.09	–	–	–	–	0.09
William SHURNIAK [(c)] [(e)]	0.25	–	–	–	–	0.25
WONG Chung Hin [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
Total	2.07	38.55	363.36	5.51	–	409.49

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2011 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

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

(c) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK$1,100,000 (2011 – HK$1,110,000).

(d) Non-executive director.

(e) Member of the Audit Committee.

(f) Member of the Remuneration Committee.

(g) Resigned on 30 September 2012.

(h) Appointed on 1 November 2012.

7 Directors' emoluments (continued)

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

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 (2011 – nil).

In 2012, the five individuals whose emoluments were the highest for the year were five directors of the Company. In 2011, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$6.43 million; provident fund contribution – HK$0.50 million; and discretionary bonus – HK$37 million.

8 Interest expenses and other finance costs

	2012 HK$ millions	2011 HK$ millions
Bank loans and overdrafts	**1,424**	1,845
Other loans repayable within 5 years	**59**	66
Other loans not wholly repayable within 5 years	**21**	20
Notes and bonds repayable within 5 years	**4,181**	3,481
Notes and bonds not wholly repayable within 5 years	**2,441**	2,120
	8,126	7,532
Interest bearing loans from non-controlling shareholders repayable within 5 years	**233**	254
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	**6**	9
	8,365	7,795
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**273**	281
Notional non-cash interest accretion[a]	**461**	396
Other finance costs	**249**	74
	9,348	8,546
Less: interest capitalised[b]	**(105)**	(131)
	9,243	8,415

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

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.1% to 6.5% per annum (2011 – 0.2% to 4.3% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2012 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2011 Total HK$ millions
Hong Kong	**326**	**281**	**607**	332	654	986
Outside Hong Kong	**2,771**	**(957)**	**1,814**	2,905	(2,804)	101
	3,097	**(676)**	**2,421**	3,237	(2,150)	1,087

Hong Kong profits tax has been provided for at the rate of 16.5% (2011 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

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

	2012 HK$ millions	2011 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**3,992**	2,715
Tax effect of:		
Tax losses not recognised	**2,074**	3,162
Tax incentives	**(27)**	(176)
Income not subject to tax	**(1,092)**	(802)
Expenses not deductible for tax purposes	**957**	979
Recognition of previously unrecognised tax losses	**(2,345)**	(3,841)
Utilisation of previously unrecognised tax losses	**(697)**	(492)
Under provision in prior years	**142**	52
Deferred tax assets written off	**1**	–
Other temporary differences	**(915)**	(475)
Effect of change in tax rate	**331**	(35)
Total tax for the year	**2,421**	1,087

10 Distributions and dividends

	2012 HK$ millions	2011 HK$ millions
Distributions paid on perpetual capital securities	**1,170**	936
Dividends paid and payable on ordinary shares		
Interim, paid of HK$0.55 per share (2011 – HK$0.55)	**2,345**	2,345
Final, proposed of HK$1.53 per share (2011 – HK$1.53)	**6,523**	6,523
	8,868	8,868

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

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK$26,128 million (2011 – HK$56,019 million) and on 4,263,370,780 shares in issue during 2012 (2011 – 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 2012. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2012 did not have a dilutive effect on earnings per share.

12 Other comprehensive income (losses)

	2012		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	1,761	(82)	1,679
Valuation gains previously in reserves recognised in income statement for the year	(210)	–	(210)
Net actuarial losses of defined benefit plans recognised directly in reserves	(825)	87	(738)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Losses recognised directly in reserves	(57)	–	(57)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	1,833	–	1,833
Losses previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	69	–	69
Share of other comprehensive income of associated companies for the year	2,305	–	2,305
Share of other comprehensive income of jointly controlled entities for the year	936	–	936
	5,812	5	5,817

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

13 Fixed assets

	Land and buildings HK$ millions	Telecom– munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2011	53,894	120,066	108,134	282,094
Additions	3,273	6,887	14,616	24,776
Relating to subsidiaries acquired	–	–	2	2
Disposals	(174)	(1,063)	(1,770)	(3,007)
Relating to subsidiaries disposed / de-recognised	(13,957)	(4,446)	(14,736)	(33,139)
Revaluation upon transfer to investment properties	6	–	–	6
Transfer from other assets	8	147	72	227
Transfer between categories / investment properties / leasehold land	428	6,182	(5,300)	1,310
Exchange translation differences	(92)	(292)	22	(362)
At 1 January 2012	**43,386**	**127,481**	**101,040**	**271,907**
Additions	**3,785**	**2,870**	**19,494**	**26,149**
Disposals	**(123)**	**(3,363)**	**(2,666)**	**(6,152)**
Relating to subsidiaries disposed / de-recognised	**(42)**	**(337)**	**(2)**	**(381)**
Write-off for the year[(a)]	**–**	**(1,456)**	**–**	**(1,456)**
Transfer to other assets	**(107)**	**(32)**	**(839)**	**(978)**
Transfer between categories / investment properties / leasehold land	**516**	**11,385**	**(11,936)**	**(35)**
Exchange translation differences	**555**	**1,329**	**1,224**	**3,108**
At 31 December 2012	**47,970**	**137,877**	**106,315**	**292,162**
Accumulated depreciation and impairment				
At 1 January 2011	12,636	37,966	63,641	114,243
Charge for the year	1,076	6,166	5,446	12,688
Relating to subsidiaries acquired	–	–	2	2
Disposals	(60)	(598)	(1,589)	(2,247)
Relating to subsidiaries disposed / de-recognised	(3,054)	(4,417)	(7,168)	(14,639)
Provision for impairment and write-off[(b)]	44	4,260	1,249	5,553
Transfer from other assets	5	52	16	73
Transfer between categories / investment properties / leasehold land	3	2,914	(1,657)	1,260
Exchange translation differences	3	(322)	(209)	(528)
At 1 January 2012	**10,653**	**46,021**	**59,731**	**116,405**
Charge for the year	**1,064**	**6,133**	**5,592**	**12,789**
Disposals	**(99)**	**(2,594)**	**(2,315)**	**(5,008)**
Relating to subsidiaries disposed / de-recognised	**(10)**	**(271)**	**–**	**(281)**
Write-off for the year[(a)]	**–**	**(282)**	**–**	**(282)**
Transfer from (to) other assets	**9**	**(34)**	**(465)**	**(490)**
Transfer between categories / investment properties / leasehold land	**53**	**2**	**(144)**	**(89)**
Exchange translation differences	**133**	**856**	**541**	**1,530**
At 31 December 2012	**11,803**	**49,831**	**62,940**	**124,574**
Net book value				
At 31 December 2012	**36,167**	**88,046**	**43,375**	**167,588**
At 31 December 2011	32,733	81,460	41,309	155,502
At 1 January 2011	41,258	82,100	44,493	167,851

13 Fixed assets (continued)

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

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

Land and buildings include projects under development in the amount of HK$5,219 million (2011 – HK$3,990 million).

Cost and net book value of fixed assets include HK$138,853 million (2011 – HK$130,032 million) and HK$82,807 million (2011 – HK$78,162 million) respectively, relating to **3** Group Europe. Impairment tests were undertaken at 31 December 2012 and 31 December 2011 to assess whether the carrying value of the Group's **3**G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(b) contains information about the estimates, assumptions and judgements relating to the impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2012 and 31 December 2011 indicated that no other impairment charge was necessary.

14 Investment properties

	2012 HK$ millions	2011 HK$ millions
Valuation		
At 1 January	**42,610**	43,240
Additions	**225**	263
Disposals	**(12)**	(324)
Relating to subsidiaries disposed / de-recognised	**–**	(590)
Change in fair value of investment properties	**790**	–
Transfer from (to) fixed assets and leasehold land	**(2)**	16
Exchange translation differences	**41**	5
At 31 December	**43,652**	42,610

Investment properties have been fair valued as at 31 December 2012 and 31 December 2011 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2012 HK$ millions	2011 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**17,481**	16,834
Medium leasehold (less than 50 years but not less than 10 years)	**25,010**	24,624
Outside Hong Kong		
Freehold	**109**	109
Medium leasehold	**1,052**	1,043
	43,652	42,610

14 Investment properties (continued)

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

	2012 HK$ millions	2011 HK$ millions
Within 1 year	**2,817**	2,222
After 1 year, but within 5 years	**4,874**	3,987
After 5 years	**20**	357

15 Leasehold land

	2012 HK$ millions	2011 HK$ millions
Net book value		
At 1 January	**10,004**	27,561
Additions	**171**	110
Disposals	**–**	(4)
Relating to subsidiaries disposed / de-recognised	**–**	(16,603)
Revaluation upon transfer to investment properties	**–**	2
Amortisation for the year	**(463)**	(522)
Impairment recognised for the year[(a)]	**–**	(529)
Transfer to other assets	**(209)**	–
Transfer to fixed assets and investment properties	**(52)**	(66)
Exchange translation differences	**44**	55
At 31 December	**9,495**	10,004

The Group's leasehold land comprises:

	2012 HK$ millions	2011 HK$ millions
Outside Hong Kong		
Long leasehold	**1,035**	1,013
Medium leasehold	**8,460**	8,991
	9,495	10,004

(a) Impairment recognised mainly relates to certain port operations (see note 6(c)).

16 Telecommunications licences

	2012 HK$ millions	2011 HK$ millions
Net book value		
At 1 January	**75,503**	68,333
Additions	**2,422**	5,693
Non-cash addition (see note 5(p))	**–**	1,843
Amortisation for the year	**(664)**	(458)
Write-off for the year	**–**	(84)
Exchange translation differences	**1,394**	176
At 31 December	**78,655**	75,503
Cost	**106,069**	101,719
Accumulated amortisation and impairment	**(27,414)**	(26,216)
	78,655	75,503

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €3,171 million (2011 – €3,002 million) and £3,127 million (2011 – £3,127 million), respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2012 and 31 December 2011. Note 3(b) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2012 and 31 December 2011 indicated no impairment charge was necessary.

17 Goodwill

	2012 HK$ millions	2011 HK$ millions
Cost		
At 1 January	**26,338**	27,332
Relating to subsidiaries acquired	**–**	13
Impairment recognised and write-off for the year[a]	**–**	(509)
Relating to subsidiaries disposed / de-recognised	**–**	(463)
Exchange translation differences	**154**	(35)
At 31 December	**26,492**	26,338

(a) Mainly relates to certain port operations (see note 6(c)).

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2011 – €645 million), Kruidvat of €600 million (2011 – €600 million), The Perfume Shop of £140 million (2011 – £140 million), Superdrug of £78 million (2011 – £78 million), **3** Italy of €275 million (2011 – €275 million), Hutchison Telecommunications Hong Kong Holdings of HK$3,754 million (2011 – HK$3,754 million) and Hutchison Asia Telecommunications of HK$1,101 million (2011 – HK$1,184 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2012 and 31 December 2011. Note 3(b) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2012 and 31 December 2011 indicated no other impairment charge was necessary.

18 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2012	**1,945**	**10,670**	**12,615**
Additions	**–**	**140**	**140**
Non-cash addition (see note 5(p))	**–**	**2,032**	**2,032**
Transfer from fixed assets	**–**	**473**	**473**
Amortisation for the year	**(12)**	**(221)**	**(233)**
Exchange translation differences	**21**	**280**	**301**
At 31 December 2012	**1,954**	**13,374**	**15,328**
Cost	**2,011**	**20,526**	**22,537**
Accumulated amortisation	**(57)**	**(7,152)**	**(7,209)**
	1,954	**13,374**	**15,328**

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

The brand names as at 31 December 2012 primarily resulted from the acquisitions of Marionnaud and The Perfume Shop in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2012 and 31 December 2011 and the results of the tests indicated no impairment charge was necessary.

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

19 Associated companies

	2012 HK$ millions	2011 HK$ millions
Unlisted shares	**25,670**	24,504
Listed shares, Hong Kong	**9,512**	9,512
Listed shares, outside Hong Kong	**33,366**	31,082
Share of undistributed post acquisition reserves	**62,472**	53,295
	131,020	118,393
Amounts due from associated companies	**20,840**	19,310
	151,860	137,703

The market value of the above listed investments at 31 December 2012 was HK$147,344 million (2011 – HK$119,906 million).

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

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

	2012 HK$ millions	2011 HK$ millions
Revenue	**360,389**	339,090
Profit after tax	**36,699**	33,325
Non-current assets	**896,485**	812,617
Current assets	**111,882**	105,095
Total assets	**1,008,367**	917,712
Non-current liabilities	**483,240**	432,473
Current liabilities	**125,473**	113,065
Total liabilities	**608,713**	545,538

19 Associated companies (continued)

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

	2012 HK$ millions	2011 HK$ millions
Revenue	**100,904**	91,328
Expense	**(63,106)**	(56,942)
EBITDA[(a)]	**37,798**	34,386
Depreciation and amortisation	**(13,244)**	(11,947)
Change in fair value of investment properties	**90**	150
EBIT[(b)]	**24,644**	22,589
Interest expenses and other finance costs	**(6,119)**	(5,027)
Current tax	**(2,844)**	(1,770)
Deferred tax	**(341)**	(1,692)
Non-controlling interests	**(362)**	(281)
Profit after tax	**14,978**	13,819

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

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

20 Interests in joint ventures

	2012 HK$ millions	2011 HK$ millions
Jointly controlled entities		
Unlisted shares	**48,331**	45,648
Share of undistributed post acquisition reserves	**12,826**	10,014
	61,157	55,662
Amounts due from jointly controlled entities	**9,240**	11,900
	70,397	67,562

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

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

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

	2012 HK$ millions	2011 HK$ millions
Revenue	**128,683**	124,242
Profit after tax	**13,682**	15,625
Non-current assets	**186,915**	142,044
Current assets	**134,415**	121,535
Total assets	**321,330**	263,579
Non-current liabilities	**76,391**	77,623
Current liabilities	**106,864**	69,903
Total liabilities	**183,255**	147,526

20 Interests in joint ventures (continued)

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

	2012 HK$ millions	2011 HK$ millions
Revenue	**55,284**	60,554
Expense	**(42,344)**	(47,545)
EBITDA[a]	**12,940**	13,009
Depreciation and amortisation	**(2,590)**	(3,709)
Change in fair value of investment properties	**287**	630
EBIT[b]	**10,637**	9,930
Interest expenses and other finance costs	**(997)**	(1,362)
Current tax	**(2,720)**	(2,277)
Deferred tax	**(390)**	(414)
Profit after tax[c]	**6,530**	5,877
Capital commitments	**322**	178

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

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

(c) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. Consequently, HTAL's share of VHA's results for the second half of 2012 is presented as a separate item under profits on disposal of investments and others (see note 6(a)) to separately identify it from the recurring earnings profile. Except for this, HTAL's share of VHA's results is incorporated and formed part of the balances disclosed above.

21 Deferred tax

	2012 HK$ millions	2011 HK$ millions
Deferred tax assets	**18,067**	16,992
Deferred tax liabilities	**8,973**	8,893
Net deferred tax assets	**9,094**	8,099

Movements in net deferred tax assets are summarised as follows:

	2012 HK$ millions	2011 HK$ millions
At 1 January	**8,099**	4,240
Relating to subsidiaries disposed / de-recognised	**(11)**	1,691
Transfer to current tax	**(242)**	(204)
Net credit to other comprehensive income	**5**	106
Net credit (charge) to the income statement		
Unused tax losses	**918**	2,676
Accelerated depreciation allowances	**(765)**	(301)
Fair value adjustments arising from acquisitions	**129**	136
Withholding tax on undistributed earnings	**(46)**	(21)
Other temporary differences	**440**	(340)
Exchange translation differences	**567**	116
At 31 December	**9,094**	8,099

Analysis of net deferred tax assets (liabilities):

	2012 HK$ millions	2011 HK$ millions
Unused tax losses	**19,425**	18,293
Accelerated depreciation allowances	**(5,120)**	(4,631)
Fair value adjustments arising from acquisitions	**(3,551)**	(3,674)
Revaluation of investment properties and other investments	**(260)**	(169)
Withholding tax on undistributed earnings	**(258)**	(223)
Other temporary differences	**(1,142)**	(1,497)
	9,094	8,099

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

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

21 Deferred tax (continued)

During the year, deferred tax assets of HK$2,187 million (2011 – HK$3,615 million) have been recognised for the losses of **3** Group Europe. At 31 December 2012, the Group has recognised accumulated deferred tax assets amounting to HK$18,067 million (2011 – HK$16,992 million) of which HK$16,850 million (2011 – HK$15,808 million) relates to **3** Group Europe.

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

The Group has not recognised deferred tax assets of HK$25,398 million at 31 December 2012 (2011 - HK$28,031 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$112,174 million (2011 - HK$121,061 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$93,888 million (2011 - HK$104,437 million) can be carried forward indefinitely and the balances expire in the following years:

	2012 HK$ millions	2011 HK$ millions
In the first year	**1,562**	288
In the second year	**2,497**	2,083
In the third year	**3,057**	2,111
In the fourth year	**3,049**	3,205
In the fifth to tenth years inclusive	**8,121**	8,937
	18,286	16,624

22 Other non-current assets

	2012 HK$ millions	2011 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**391**	571
Other receivables	**3,887**	3,857
	4,278	4,428
Available-for-sale investments		
Unlisted equity securities	**930**	1,197
Fair value hedges (see note 28(a))		
Interest rate swaps	**2,844**	2,518
Cross currency interest rate swaps	**1,527**	1,883
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**–**	158
	9,579	10,184

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 2012 is 2.0% (2011 – 2.3%).

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

23 Liquid funds and other listed investments

	2012 HK$ millions	2011 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**10,541**	10,485
Listed / traded debt securities, outside Hong Kong	**3,834**	3,120
Listed equity securities, Hong Kong	**2,165**	988
Listed equity securities, outside Hong Kong	**6,498**	5,188
	23,038	19,781
Loans and receivables		
Long term deposits	**39**	36
Financial assets at fair value through profit or loss	**422**	422
	23,499	20,239

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

	2012 HK$ millions	2011 HK$ millions
Listed debt securities	**10,486**	10,432
Cash and cash equivalents	**55**	53
	10,541	10,485

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

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2012 was HK$23,460 million (2011 – HK$20,203 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 2012 was 3.0% (2011 – 3.6%).

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

	2012			2011		
	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	**9%**	**–**	**–**	5%	–	–
US dollars	**61%**	**–**	**59%**	70%	–	59%
Other currencies	**30%**	**100%**	**41%**	25%	100%	41%
	100%	**100%**	**100%**	100%	100%	100%

23 Liquid funds and other listed investments (continued)

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

	2012 Percentage	2011 Percentage
Credit ratings		
Aaa / AAA	**25%**	26%
Aa1 / AA+	**47%**	48%
Aa2 / AA	**4%**	3%
Aa3 / AA-	**1%**	–
A1 / A+	**1%**	–
Other investment grades	**6%**	7%
Unrated	**16%**	16%
	100%	100%
Sectorial		
US Treasury notes	**47%**	48%
Government and government guaranteed notes	**17%**	15%
Supranational notes	**12%**	14%
Husky Energy Inc notes	**6%**	7%
Financial institutions notes	**2%**	–
Others	**16%**	16%
	100%	100%
Weighted average maturity	**1.3 years**	2.1 years
Weighted average effective yield	**1.80%**	1.71%

24 Cash and cash equivalents

	2012 HK$ millions	2011 HK$ millions
Cash at bank and in hand	**25,697**	22,545
Short term bank deposits	**82,251**	43,994
	107,948	66,539

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

25 Trade and other receivables

	2012 HK$ millions	2011 HK$ millions
Trade receivables[a]	**23,953**	29,792
Less: provision for estimated impairment losses for bad debts[b]	**(4,307)**	(6,048)
Trade receivables – net	**19,646**	23,744
Other receivables and prepayments	**41,979**	36,334
Fair value hedges (see note 28(a))		
Interest rate swaps	**116**	–
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**47**	267
	61,788	60,345

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

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

The Group's five largest customers contributed less than 5% of the Group's turnover for the years ended 31 December 2012 and 2011.

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

	2012 HK$ millions	2011 HK$ millions
Less than 31 days	**13,089**	11,251
Within 31 to 60 days	**1,689**	1,487
Within 61 to 90 days	**795**	872
Over 90 days	**8,380**	16,182
	23,953	29,792

25 Trade and other receivables (continued)

(b) As at 31 December 2012, out of the trade receivables of HK$23,953 million (2011 – HK$29,792 million), HK$14,279 million (2011 – HK$14,409 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$4,307 million (2011 – HK$6,048 million). The ageing analysis of these trade receivables is as follows:

	2012 HK$ millions	2011 HK$ millions
Not past due	**6,587**	4,685
Past due less than 31 days	**915**	1,316
Past due within 31 to 60 days	**393**	326
Past due within 61 to 90 days	**458**	717
Past due over 90 days	**5,926**	7,365
	14,279	14,409

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

	2012 HK$ millions	2011 HK$ millions
At 1 January	**6,048**	5,563
Additions	**830**	2,323
Utilisations	**(2,695)**	(415)
Write back	**(21)**	(1,073)
Relating to subsidiaries disposed / de-recognised	**–**	(129)
Exchange translation differences	**145**	(221)
At 31 December	**4,307**	6,048

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

	2012 HK$ millions	2011 HK$ millions
Not past due	**5,022**	4,270
Past due less than 31 days	**2,024**	1,992
Past due within 31 to 60 days	**509**	554
Past due within 61 to 90 days	**263**	474
Past due over 90 days	**1,856**	8,093
	9,674	15,383

26 Trade and other payables

	2012 HK$ millions	2011 HK$ millions
Trade payables[a]	**20,742**	24,694
Other payables and accruals	**55,932**	51,663
Provisions (see note 27)	**1,120**	1,256
Interest free loans from non-controlling shareholders	**476**	468
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**201**	12
	78,471	78,093

The Group's five largest suppliers accounted for less than 30% of the Group's cost of purchases for the years ended 31 December 2012 and 2011.

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

	2012 HK$ millions	2011 HK$ millions
Less than 31 days	**13,842**	14,124
Within 31 to 60 days	**3,196**	2,429
Within 61 to 90 days	**1,457**	1,248
Over 90 days	**2,247**	6,893
	20,742	24,694

27 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2011	996	900	567	2,463
Additions	101	14	122	237
Interest accretion	39	6	–	45
Utilisations	(269)	–	(21)	(290)
Write back	(130)	(219)	(197)	(546)
Relating to subsidiaries disposed / de-recognised	–	(2)	–	(2)
Exchange translation differences	10	16	9	35
At 1 January 2012	**747**	**715**	**480**	**1,942**
Additions	**36**	**7**	**181**	**224**
Interest accretion	**22**	**25**	**–**	**47**
Utilisations	**(163)**	**–**	**(125)**	**(288)**
Write back	**(15)**	**(1)**	**(91)**	**(107)**
Exchange translation differences	**21**	**(5)**	**5**	**21**
At 31 December 2012	**648**	**741**	**450**	**1,839**

27 Provisions (continued)

Provisions are analysed as:

	2012 HK$ millions	2011 HK$ millions
Current portion (see note 26)	**1,120**	1,256
Non-current portion (see note 31)	**719**	686
	1,839	1,942

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

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

28 Bank and other debts

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

	2012			2011		
	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	**4,892**	**60,083**	**64,975**	28,812	44,768	73,580
Other loans	**124**	**411**	**535**	55	409	464
Notes and bonds	**34,487**	**156,155**	**190,642**	–	139,810	139,810
Total principal amount of bank and other debts	**39,503**	**216,649**	**256,152**	28,867	184,987	213,854
Unamortised loan facilities fees and premiums or discounts related to debts	**(23)**	**(580)**	**(603)**	(32)	331	299
Unrealised gain on bank and other debts pursuant to interest rate swap contracts[(a)]	**116**	**4,371**	**4,487**	–	4,401	4,401
	39,596	**220,440**	**260,036**	28,835	189,719	218,554

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2012			2011		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Repayable within 5 years	4,890	59,521	64,411	28,812	44,753	73,565
Not wholly repayable within 5 years	2	562	564	–	15	15
	4,892	60,083	64,975	28,812	44,768	73,580
Other loans						
Repayable within 5 years	69	59	128	35	58	93
Not wholly repayable within 5 years	55	352	407	20	351	371
	124	411	535	55	409	464
Notes and bonds						
HK$260 million notes, 4% due 2027	–	260	260	–	–	–
US$3,110 million (2011: US$3,146 million) notes, 6.5% due 2013	24,257	–	24,257	–	24,542	24,542
US$1,309 million notes, 6.25% due 2014	–	10,206	10,206	–	10,206	10,206
US$2,189 million notes, 4.625% due 2015	–	17,077	17,077	–	17,077	17,077
US$500 million notes-Series B, 7.45% due 2017	–	3,900	3,900	–	3,900	3,900
US$1,000 million notes, 2% due 2017	–	7,800	7,800	–	–	–
US$1,000 million notes, 3.5% due 2017	–	7,800	7,800	–	–	–
US$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	7,800	7,800
US$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	11,700	11,700
US$1,488 million notes, 4.625% due 2022	–	11,606	11,606	–	–	–
US$500 million notes, 3.25% due 2022	–	3,900	3,900	–	–	–
US$329 million notes-Series C, 7.5% due 2027	–	2,565	2,565	–	2,565	2,565
US$25 million notes-Series D, 6.988% due 2037	–	196	196	–	196	196
US$1,144 million notes, 7.45% due 2033	–	8,926	8,926	–	8,926	8,926
EUR1,000 million notes, 5.875% due 2013	10,230	–	10,230	–	10,150	10,150
EUR603 million notes, 4.125% due 2015	–	6,167	6,167	–	6,119	6,119
EUR669 million notes, 4.625% due 2016	–	6,845	6,845	–	6,791	6,791
EUR1,750 million notes, 4.75% due 2016	–	17,902	17,902	–	17,763	17,763
EUR1,250 million notes, 2.5% due 2017	–	12,788	12,788	–	–	–
EUR750 million notes, 3.625% due 2022	–	7,673	7,673	–	–	–
GBP325 million bonds, 6.75% due 2015	–	4,092	4,092	–	3,962	3,962
GBP113 million bonds, 5.625% due 2017	–	1,423	1,423	–	1,378	1,378
GBP303 million bonds, 5.625% due 2026	–	3,814	3,814	–	3,693	3,693
JPY3,000 million notes, 1.75% due 2019	–	286	286	–	–	–
JPY15,000 million notes, 2.6% due 2027	–	1,429	1,429	–	–	–
JPY30,000 million notes, 3.5% due 2032	–	–	–	–	3,042	3,042
	34,487	156,155	190,642	–	139,810	139,810
	39,503	216,649	256,152	28,867	184,987	213,854

28 Bank and other debts (continued)

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

	2012			2011		
	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	4,892	–	4,892	28,812	–	28,812
After 1 year, but within 2 years	–	6,943	6,943	–	14,490	14,490
After 2 years, but within 5 years	–	52,591	52,591	–	30,274	30,274
After 5 years	–	549	549	–	4	4
	4,892	60,083	64,975	28,812	44,768	73,580
Other loans						
Current portion	124	–	124	55	–	55
After 1 year, but within 2 years	–	60	60	–	51	51
After 2 years, but within 5 years	–	119	119	–	119	119
After 5 years	–	232	232	–	239	239
	124	411	535	55	409	464
Notes and bonds						
Current portion	34,487	–	34,487	–	–	–
After 1 year, but within 2 years	–	10,206	10,206	–	34,692	34,692
After 2 years, but within 5 years	–	85,794	85,794	–	61,918	61,918
After 5 years	–	60,155	60,155	–	43,200	43,200
	34,487	156,155	190,642	–	139,810	139,810
	39,503	216,649	256,152	28,867	184,987	213,854

The bank and other debts of the Group as at 31 December 2012 are secured to the extent of HK$821 million (2011 – HK$793 million).

Borrowings with principal amount of HK$64,508 million (2011 – HK$73,635 million) bear interest at floating interest rates and borrowings with principal amount of HK$191,644 million (2011 – HK$140,219 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

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

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**64,729**	73,312	**64,729**	73,312
Other loans	**481**	410	**480**	408
Notes and bonds	**194,826**	144,832	**212,151**	160,318
	260,036	218,554	**277,360**	234,038

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):

	2012	2011
	Percentage	Percentage
Euro	**32%**	33%
US dollars	**36%**	29%
HK dollars	**20%**	22%
British Pounds	**6%**	9%
Other currencies	**6%**	7%
	100%	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2012, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$74,966 million (2011 – HK$70,988 million).

In addition, interest rate swap agreements with notional amount of HK$7,900 million (2011 – HK$3,996 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2012, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2011 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match currency exposures of the underlying businesses.

28 Bank and other debts (continued)

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

	2012			2011		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see notes 22 and 25)	**116**	**2,844**	**2,960**	–	2,518	2,518
Cross currency interest rate swaps (see note 22)	**–**	**1,527**	**1,527**	–	1,883	1,883
	116	**4,371**	**4,487**	–	4,401	4,401
Cash flow hedges						
Derivative financial assets						
Forward foreign exchange contracts (see notes 22 and 25)	**47**	**–**	**47**	267	158	425
	47	**–**	**47**	267	158	425
Derivative financial liabilities						
Interest rate swaps (see note 31)	**–**	**(249)**	**(249)**	–	(201)	(201)
Forward foreign exchange contracts (see notes 26 and 31)	**(201)**	**(238)**	**(439)**	(12)	–	(12)
	(201)	**(487)**	**(688)**	(12)	(201)	(213)
	(154)	**(487)**	**(641)**	255	(43)	212

29 Interest bearing loans from non-controlling shareholders

	2012 HK$ millions	2011 HK$ millions
Interest bearing loans from non-controlling shareholders	**6,307**	6,502

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	2012 HK$ millions	2011 HK$ millions
Defined benefit plans		
Pension assets	–	–
Pension obligations	3,570	2,992
	3,570	2,992

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2012 and 31 December 2011 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:

	2012	2011
Discount rate applied to defined benefit plan obligations	0.40%-5.00%	1.20%-6.10%
Expected return on plan assets	N/A*	2.62%-7.77%
Future salary increases	2.00%-4.00%	1.00%-4.00%
Interest credited on two principal plans in Hong Kong	5.00%-6.00%	5.00%-6.00%

The expected return on plan assets as at 31 December 2011 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.

* With the adoption of HKAS 19 (2011) with effect from 1 January 2013, the expected return on plan assets is no longer applicable for determining the pension expenses.

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

	2012 HK$ millions	2011 HK$ millions
Present value of defined benefit obligations	16,289	13,468
Fair value of plan assets	13,038	11,373
	3,251	2,095
Unrecognised past services costs	(10)	(17)
Restrictions on asset recognised	329	914
Net defined benefit plan obligations	3,570	2,992

Fair value of plan assets of HK$13,038 million (2011 – HK$11,373 million) includes investments in the Company's shares with a fair value of HK$61 million (2011 – HK$43 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2012 HK$ millions	2011 HK$ millions
At 1 January	**13,468**	13,635
Current service cost net of employee contributions	**485**	434
Actual employee contributions	**115**	106
Interest cost	**539**	586
Actuarial losses on obligations	**2,149**	586
Gains on curtailments and settlements	**–**	(1)
Relating to subsidiaries disposed / de-recognised	**–**	(1,457)
Transfer to other liabilities	**(20)**	–
Actual benefits paid	**(616)**	(574)
Exchange translation differences	**169**	153
At 31 December	**16,289**	13,468

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

	2012 HK$ millions	2011 HK$ millions
At 1 January	**11,373**	12,375
Expected return on plan assets	**673**	719
Actuarial gains (losses) on plan assets	**730**	(582)
Actual company contributions	**640**	639
Actual employee contributions	**115**	106
Relating to subsidiaries disposed / de-recognised	**–**	(1,374)
Actual benefits paid	**(616)**	(574)
Exchange translation differences	**123**	64
At 31 December	**13,038**	11,373

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2012 HK$ millions	2011 HK$ millions
Current service cost	**485**	434
Past service cost	**24**	101
Interest cost	**539**	586
Gains on curtailments and settlements	**–**	(1)
Expected return on plan assets	**(673)**	(719)
Total expense	**375**	401
Less: expense capitalised	**(1)**	(2)
Total, included in staff costs	**374**	399

The actual return on plan assets was HK$1,403 million (2011 – HK$137 million).

The actuarial losses recognised in other comprehensive income in current year was HK$825 million (2011 – HK$1,607 million). The cumulative actuarial losses recognised in other comprehensive income amounted to HK$3,650 million (2011 – HK$2,828 million).

Fair value of the plan assets are analysed as follows:

	2012 Percentage	2011 Percentage
Equity instruments	**43%**	46%
Debt instruments	**46%**	45%
Other assets	**11%**	9%
	100%	100%

The experience adjustments are as follows:

	2012 HK$ millions	2011 HK$ millions	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions
Present value of defined benefit obligations	**16,289**	13,468	13,635	13,985	11,452
Fair value of plan assets	**13,038**	11,373	12,375	11,574	8,981
Deficit	**3,251**	2,095	1,260	2,411	2,471
Experience adjustments on defined benefit obligations	**(259)**	(104)	(249)	(82)	502
Experience adjustments on plan assets	**730**	(597)	413	729	(2,253)

30 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2012. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 July 2011 reported a funding level of 118% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2012 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$19 million (2011 – HK$18 million) were used to reduce the current year's level of contributions and HK$2 million was available at 31 December 2012 (2011 – HK$1 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2010, the ratio of assets to liabilities for the Felixstowe Scheme was 73%. Contributions to fund the deficit remained unchanged and at the valuation date, the shortfall was expected to be eliminated by 31 March 2020. The main assumptions in the valuation are an investment return of 7.55% (pre-retirement) and 4.8% (post-retirement), pensionable salary increases of 3.80% per annum and pension increases of 3.6% per annum (for service before 6 April 1997), 3.2% per annum (for service between 6 April 1997 and 5 April 2005) and 2.25% per annum (for service after 5 April 2005). The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Towers Watson Limited. A new valuation has been commissioned in January 2013.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations. As at the end of 2012, the combination of the interest rate and a high risk spread result, in a relatively low defined benefit obligation for the plan of the retail operations and the value of the plan assets is temporarily higher than the present value of the plan obligation. The Group is required by the applicable accounting standard not to recognise the excess amount as an asset as the excess amount is not refundable to the Group and not available to reduce future contributions to the plan.

The Group operates a defined benefit pension plan for part of its retail operation in the United Kingdom. It was assumed on acquisition of a subsidiary company in 2002. It was not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2009. This allowed for the cessation of accrual of future defined benefits for all active members on 28 February 2010, from which date final salary linkage was also severed. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer made additional cash contributions totalling £2.5 million in 2010 and £4 million in 2011 and 2012, and will make further additional contributions of £4 million per annum from 1 January 2013 to 30 November 2021 towards the shortfall being corrected by 30 November 2021. The main assumptions in the valuation are an investment return of 4.9% to 6.5% per annum and pensionable salary increases of 3.62% to 4.57% per annum. The valuation was performed by Clare Wilmington, a Fellow of the Institute and Faculty of Actuaries, of Hewitt Associates Limited.

30 Pension plans (continued)

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$964 million (2011 – HK$865 million). No forfeited contributions (2011 – nil) were used to reduce the current year's level of contributions and forfeited contribution of HK$2 million was available at 31 December 2012 (2011 – nil) to reduce future years' contributions.

31 Other non-current liabilities

	2012 HK$ millions	2011 HK$ millions
Cash flow hedges (see note 28(a))		
Interest rate swaps	**249**	201
Forward foreign exchange contracts	**238**	–
Obligations for telecommunications licences and other rights	**3,870**	3,409
Provisions (see note 27)	**719**	686
	5,076	4,296

32 Share capital and capital management

(a) Share capital

	2012 Number of shares	2011 Number of shares	**2012 HK$ millions**	2011 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

32 Share capital and capital management (continued)

(b) Perpetual capital securities

In October 2010 and May 2012, wholly owned subsidiary companies of the Group issued subordinated guaranteed perpetual capital securities with nominal amount of US$2,000 million and US$1,000 million (approximately HK$15,600 million and HK$7,800 million) respectively for cash. These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

(c) Capital management

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

At 31 December 2012, total equity amounted to HK$438,592 million (2011 – HK$398,783 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$124,705 million (2011 – HK$127,076 million). The Group's net debt to net total capital ratio decreased to 21.9% from 23.8% at the end of last year.

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

Net debt / Net total capital ratios[i] at 31 December

	2012	2011
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**21.9%**	23.8%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**19.3%**	21.7%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**23.0%**	25.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**20.3%**	22.8%

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

33 Notes to consolidated statement of cash flows

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

	2012 HK$ millions	2011 HK$ millions
Profit after tax	**32,360**	73,862
Less: share of profits less losses after tax of		
Associated companies	**(14,978)**	(13,819)
Jointly controlled entities	**(6,530)**	(5,877)
	10,852	54,166
Adjustments for:		
Current tax charge	**3,097**	3,237
Deferred tax credit	**(676)**	(2,150)
Interest expenses and other finance costs	**9,243**	8,415
Change in fair value of investment properties	**(790)**	–
Depreciation and amortisation	**14,149**	14,080
Others (see note 6)	**2,052**	12,497
Non-cash items (see note 33(e))	**(447)**	(457)
EBITDA of Company and subsidiaries (i)	**37,480**	89,788
Profit on disposal of other unlisted investments	**(67)**	(309)
Loss (profit) on disposal of fixed assets, leasehold land and investment properties	**383**	(478)
Dividends received from associated companies and jointly controlled entities	**8,740**	6,864
Distribution from property jointly controlled entities	**1,812**	1,395
Profit on disposal / de-recognition of subsidiary companies and jointly controlled entities	**(393)**	(57,330)
Other non-cash items	**(768)**	151
	47,187	40,081

(i) Reconciliation of EBITDA:

	2012 HK$ millions	2011 HK$ millions
EBITDA of Company and subsidiaries	**37,480**	89,788
Share of EBITDA of associated companies and jointly controlled entities		
Share of profits less losses after tax:		
Associated companies	**14,978**	13,819
Jointly controlled entities	**6,530**	5,877
Adjustment for:		
Depreciation and amortisation	**15,834**	15,656
Change in fair value of investment properties	**(377)**	(780)
Interest expenses and other finance costs	**7,116**	6,389
Current tax charge	**5,564**	4,047
Deferred tax charge	**731**	2,106
Non-controlling interests	**362**	281
	50,738	47,395
EBITDA (see notes 5(b) and 5(m))	**88,218**	137,183

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2012 HK$ millions	2011 HK$ millions
Increase in inventories	**(1,147)**	(951)
Decrease (increase) in debtors and prepayments	**(661)**	9,701
Increase (decrease) in creditors	**(1,613)**	1,371
Other non-cash items	**334**	(173)
	(3,087)	9,948

(c) Purchase of subsidiary companies

	2012 Book / Fair value HK$ millions	2011 Fair value HK$ millions
Aggregate net assets acquired at acquisition date:		
Cash and cash equivalents	**–**	16
Creditors and current tax liabilities	**–**	(1)
Non-controlling interests	**–**	(7)
	–	8
Goodwill arising on acquisition	**–**	13
	–	21
Less: Cost of investments just prior to purchase	**–**	(6)
Discharged by cash payment	**–**	15
Net cash outflow (inflow) arising from acquisition:		
Cash payment	**–**	15
Cash and cash equivalents acquired	**–**	(16)
Total net cash acquired	**–**	(1)

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

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal / de-recognition of subsidiary companies

	2012 HK$ millions	2011 HK$ millions
Aggregate net assets disposed / de-recognised at date of disposal / de- recognition (excluding cash and cash equivalents):		
Fixed assets	**100**	18,500
Investment properties	**–**	590
Leasehold land	**–**	16,603
Goodwill	**–**	463
Brand name and other rights	**–**	16
Associated companies	**–**	128
Interests in joint ventures	**–**	291
Deferred tax assets	**11**	–
Liquid funds and other listed investments	**–**	37
Trade and other receivables	**399**	3,498
Inventories	**–**	151
Creditors and current tax liabilities	**(266)**	(21,717)
Bank and other debts	**–**	(9,318)
Loans from non-controlling shareholders	**–**	(6,613)
Deferred tax liabilities	**–**	(1,691)
Pension obligations	**–**	(83)
Other non-current liabilities	**–**	(693)
Non-controlling interests	**–**	(4,962)
Reserves	**69**	1,038
	313	(3,762)
Profit on disposal / de-recognition*	**378**	57,167
	691	53,405
Less: Investments retained subsequent to disposal / de-recognition	**–**	(17,796)
	691	35,609
Satisfied by:		
Cash and cash equivalents received as consideration	**857**	41,698
Less: Cash and cash equivalents sold	**(166)**	(6,089)
Total net cash consideration	**691**	35,609

* The profit on disposal / de-recognition for the current year is included in the income statement line item other operating expenses and the profit on disposal / de-recognition for 2011 is mainly included in the income statement line item profits on disposal of investments and others.

(e) Included in non-cash items in 2012 is a one-time net gain of HK$447 million from a network sharing arrangement, which includes a benefit of HK$2,032 million from future cost savings arising from a right to share another Irish operator's mobile network, partially offset by a HK$1,585 million one-time provision mainly related to the restructuring of **3** Ireland's network infrastructure. Included in the non-cash items in 2011 is a one-time gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million.

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 2012, assets of the Group totalling HK$824 million (2011 – HK$524 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2012, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to associated companies and jointly controlled entities of HK$11,920 million (2011 – HK$10,932 million).

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

	2012 HK$ millions	2011 HK$ millions
To associated companies		
Other businesses	**1,815**	1,366
To jointly controlled entities		
Property businesses	**1,285**	1,619
Other businesses	**7,385**	5,602
	8,670	7,221

At 31 December 2012, the Group had provided performance and other guarantees of HK$4,411 million (2011 – HK$4,838 million).

37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2012 are as follows:

Capital commitments

(a) Contracted for:

- (i) Ports and related services – HK$1,632 million (2011 – HK$2,050 million)
- (ii) **3** Group Europe – HK$579 million (2011 – HK$953 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$12,627 million (2011 – HK$14,738 million)
- (iv) Investment properties, Hong Kong – HK$38 million (2011 – HK$13 million)
- (v) Other fixed assets – HK$402 million (2011 – HK$995 million)
- (vi) Other assets – nil (2011 – HK$1,121 million)

(b) Authorised but not contracted for:

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

- (i) Ports and related services – HK$4,963 million (2011 – HK$6,899 million)
- (ii) **3** Group Europe – HK$12,785 million (2011 – HK$10,779 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$3,397 million (2011 – HK$3,257 million)
- (iv) Investment properties, Hong Kong – HK$1,162 million (2011 – HK$1,178 million)
- (v) Investment in joint ventures, Hong Kong – HK$257 million (2011 – HK$282 million)
- (vi) Investment in joint ventures outside Hong Kong – HK$1,186 million (2011 – HK$5,662 million)
- (vii) Other fixed assets – HK$4,887 million (2011 – HK$4,840 million)
- (viii) Other assets – nil (2011 – HK$1,280 million)

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

(a) In the first year – HK$11,697 million (2011 – HK$10,680 million)
(b) In the second to fifth years inclusive – HK$23,934 million (2011 – HK$23,221 million)
(c) After the fifth year – HK$42,670 million (2011 – HK$32,256 million)

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

(a) In the first year – HK$1,753 million (2011 – HK$1,642 million)
(b) In the second to fifth years inclusive – HK$5,517 million (2011 – HK$5,442 million)
(c) After the fifth year – HK$3,504 million (2011 – HK$4,378 million)

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$7,793 million (2011 – HK$7,741 million) are interest bearing. In addition, during 2009, the Group acquired traded debt securities outside Hong Kong with a principal amount of US$200 million notes issued by listed associated company, Husky Energy Inc and in the same year, sold certain of these notes with a principal amount of US$97 million. As disclosed in note 23, as at 31 December 2012 and 2011, principal amount totalling US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 31 December 2012, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$42,012 million (2011 – HK$40,864 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$4,054 million (2011 – HK$3,649 million) for the benefit of these same entities.

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

39 Legal proceedings

As at 31 December 2012, 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

On 4 January 2013, Hutchison 3G Austria ("**3** Austria"), a wholly owned subsidiary of the Group announced that it has completed its acquisition of 100% interest of Orange Austria, following the approval of all of the relevant Austrian and European authorities. At the date these accounts are authorised for issue, **3** Austria is in the process of gathering information and has not commenced the initial accounting for this business combination. The Group expects to be in a position to report the nature and financial effect of this business combination when it issues its 2013 interim accounts.

On 15 January 2013, Cheung Kong Infrastructure ("CKI"), a subsidiary company of the Group, announced that it has agreed to acquire 100% interest of Enviro Waste Services Limited for a cash consideration of NZ$490 million (approximately HK$3,180 million). The acquisition is subject to approval from the New Zealand Overseas Investment Office. Completion is expected to take place in the second quarter of 2013.

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 2012, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 146 to 238 were approved and authorised for issue by the Board of Directors on 26 March 2013.

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:

	2012 HK$ millions	2011 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**9,144**	9,343
Unlisted	**5,834**	4,476
	14,978	13,819
Share of gross rental income of associated companies and jointly controlled entities	**462**	466
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	**83**	82
Other subsidiaries (excluding HHR)	**3,343**	3,393
Less: intra group rental income	**(367)**	(360)
	3,059	3,115
Less: related outgoings	**(86)**	(25)
Net rental income of subsidiary companies	**2,973**	3,090
Dividend and interest income from managed funds and other investments		
Listed	**552**	694
Unlisted	**57**	67
Charges:		
Depreciation and amortisation		
Fixed assets	**12,789**	12,688
Leasehold land	**463**	522
Telecommunications licences	**664**	458
Brand names and other rights	**233**	412
	14,149	14,080
Inventories write-off	**998**	1,193
Operating leases		
Properties	**16,879**	16,185
Hire of plant and machinery	**2,411**	2,262
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**189**	179
– other auditors	**14**	12
Non-audit work – PricewaterhouseCoopers	**36**	70
– other auditors	**22**	30

44 Financial risk management

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

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which will 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 maintain a healthy and sound financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$131,447 million at 31 December 2012, an increase of 51% from the balance of HK$86,778 million at 31 December 2011, mainly reflecting positive funds from operations from the Group's businesses, cash from new borrowings, proceeds from the issue of perpetual capital securities, as well as from issues of perpetual capital securities and new shares by the Group's listed subsidiary, CKI, net of the utilisation of cash for the repayment and early repayment of certain borrowings, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, and acquisition of fixed assets and investments. Liquid assets were denominated as to 8% in HK dollars, 53% in US dollars, 14% in Renminbi, 8% in Euro, 4% in British Pounds and 13% in other currencies (2011 – 6% were denominated in HK dollars, 48% in US dollars, 19% in Renminbi, 8% in Euro, 5% in British Pounds and 14% in other currencies).

Cash and cash equivalents represented 82% (2011 – 76%) of the liquid assets, US Treasury notes and listed / traded debt securities 11% (2011 – 16%), listed equity securities 7% (2011 – 7%) and long-term deposits and others 0% (2011 – 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 47% (2011 – 48%), government and government guaranteed notes of 17% (2011 – 15%), supranational notes of 12% (2011 – 14%), notes issued by the Group's associated company, Husky Energy Inc of 6% (2011 – 7%), notes issued by financial institutions of 2% (2011 – nil), and others of 16% (2011 – 16%). Of these US Treasury notes and listed / traded debt securities, 72% (2011 – 74%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 1.3 years (2011 – 2.1 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

At 31 December 2012, approximately 25% (2011 – approximately 34%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 75% (2011 – approximately 66%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$74,966 million (2011 – approximately HK$70,988 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$7,900 million (2011 – HK$3,996 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 51% (2011 – approximately 66%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 49% (2011 – approximately 34%) were at fixed rates at 31 December 2012. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are expected to be highly effective.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of certain countries where the Group has overseas operations, including Euro, British Pound, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK$5,077 million (2011 – HK$2,478 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and jointly controlled entities. This unrealised gain is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2012, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2011 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 32% in Euro, 36% in US dollars, 20% in HK dollars, 6% in British Pounds and 6% in other currencies (2011 – 33% in Euro, 29% in US dollars, 22% in HK dollars, 9% in British Pounds and 7% in other currencies).

(d) Credit exposure

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

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

44 Financial risk management (continued)

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 18% (2011 – approximately 23%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

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

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

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

(i) Interest rate sensitivity analysis

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

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

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

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

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair value (arising from gain or loss from re-measurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

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

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

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

- profit for the year would decrease by HK$240 million (2011 – HK$958 million) due to increase in interest expense;
- total equity would decrease by HK$240 million (2011 – HK$958 million) due to increase in interest expense; and
- total equity would increase by HK$292 million mainly due to increase in fair value of interest rate swaps (2011 – decrease by HK$119 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 for hedging currency risks, changes in foreign exchange rates affect their fair value. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of cash flow currency hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

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

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

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

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

	2012		2011	
	Hypothetical increase (decrease) in profit for the year	**Hypothetical increase (decrease) in total equity**	Hypothetical increase (decrease) in profit for the year	Hypothetical increase (decrease) in total equity
	HK$ millions	**HK$ millions**	HK$ millions	HK$ millions
Euro	**73**	**73**	66	66
British Pounds	**149**	**(2,247)**	156	(1,672)
Australian dollars	**163**	**(125)**	167	11
Renminbi	**9**	**47**	16	86
US dollars	**1,507**	**1,507**	1,647	1,647
Japanese Yen	**(287)**	**(288)**	(309)	(311)

(iii) Other price sensitivity analysis

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

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

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

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

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

- profit for the year would increase by HK$42 million (2011 – HK$42 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$42 million (2011 – HK$42 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$2,304 million (2011 – HK$1,978 million) due to increase in gains on available-for-sale investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

	Contractual maturities					
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions	Difference from carrying amount HK$ millions	Carrying amounts HK$ millions
At 31 December 2012						
Trade payables	20,742	–	–	20,742	–	20,742
Other payables and accruals	55,932	–	–	55,932	–	55,932
Interest free loans from non-controlling shareholders	476	–	–	476	–	476
Bank loans	4,892	59,534	549	64,975	(246)	64,729
Other loans	124	179	232	535	(54)	481
Notes and bonds	34,487	96,000	60,155	190,642	4,184	194,826
Interest bearing loans from non-controlling shareholders	–	6,074	233	6,307	–	6,307
Obligations for telecommunications licences and other rights	899	3,032	998	4,929	(1,059)	3,870
	117,552	164,819	62,167	344,538	2,825	347,363

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,400 million in "within 1 year" maturity band, HK$25,725 million in "after 1 year, but within 5 years" maturity band, and HK$22,161 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions
At 31 December 2012				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(170)	(399)	(304)	(873)
Cash flow hedges – forward foreign exchange contracts				
Inflow	13,434	9,644	–	23,078
Outflow	(13,656)	(9,909)	–	(23,565)

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

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

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

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

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

	2012 HK$ millions	2011 HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**1**	(6)
Gains arising on derivatives in a designated fair value hedge	**65**	1,530
Losses arising on adjustment for hedged item in a designated fair value hedge	**(65)**	(1,530)
Interest income on available-for-sale financial assets	**352**	492

44 Financial risk management (continued)

(i) Fair value of financial instruments

In accordance with the disclosure requirement of HKFRS 7, fair value measurement is disclosed by level of the following fair value measurement hierarchy:

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

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

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2012				
Financial instruments measured at fair value				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	930	930
Managed funds, outside Hong Kong (see note 23)	10,541	–	–	10,541
Listed / traded debt securities, outside Hong Kong (see note 23)	1,565	2,269	–	3,834
Listed equity securities, Hong Kong (see note 23)	2,165	–	–	2,165
Listed equity securities, outside Hong Kong (see note 23)	5,269	–	1,229	6,498
Financial assets at fair value through profit or loss (see note 23)	–	422	–	422
	19,540	2,691	2,159	24,390
Fair value hedges				
Interest rate swaps (see notes 22 and 25)	–	2,960	–	2,960
Cross currency interest rate swaps (see note 22)	–	1,527	–	1,527
	–	4,487	–	4,487
Cash flow hedges				
Forward foreign exchange contracts (see note 25)	–	47	–	47
Interest rate swaps (see note 31)	–	(249)	–	(249)
Forward foreign exchange contracts (see notes 26 and 31)	–	(439)	–	(439)
	–	(641)	–	(641)

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

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

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

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

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

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

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

	2012 HK$ millions	2011 HK$ millions
At 1 January	**2,339**	2,246
Total gains (losses) recognised in		
Income statement	**(1)**	(1)
Other comprehensive income	**126**	91
Additions	**44**	129
Disposals	**(367)**	(133)
Exchange translation differences	**18**	7
At 31 December	**2,159**	2,339
Total losses for the year included in income statement and presented in other operating expenses	**(1)**	(1)
Total losses recognised in income statement relating to those instruments held at the end of the reporting period	**(1)**	(1)

45 Statement of financial position of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2012 is set out as follows:

	2012 HK$ millions	2011 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares[(a)]	**39,931**	39,931
Current assets		
Amounts due from subsidiary companies[(b)]	**68,597**	67,766
Current liabilities		
Other payables and accruals	**67**	81
Net current assets	**68,530**	67,685
Net assets	**108,461**	107,616
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves[(c)]	**107,395**	106,550
Shareholders' funds	**108,461**	107,616

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

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

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

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

(c) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2011	28,359	77,343	105,702
Profit for the year	–	9,204	9,204
Dividends paid relating to 2010	–	(6,011)	(6,011)
Dividends paid relating to 2011	–	(2,345)	(2,345)
At 31 December 2011	**28,359**	**78,191**	**106,550**
Profit for the year	**–**	**9,702**	**9,702**
Unclaimed dividend write back	**–**	**11**	**11**
Dividends paid relating to 2011	**–**	**(6,523)**	**(6,523)**
Dividends paid relating to 2012	**–**	**(2,345)**	**(2,345)**
At 31 December 2012	**28,359**	**79,036**	**107,395**

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK$260,036 million (2011 – HK$218,554 million), the Company has guaranteed a total of HK$213,387 million (2011 – HK$173,244 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities of US$3,000 million, approximately HK$23,400 million (2011 – US$2,000 million, approximately HK$15,600 million) issued by wholly owned subsidiary companies.

(f) The Company has provided some guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities and associated companies totalling HK$7,385 million (2011 – HK$5,102 million) and HK$1,815 million (2011 – HK$1,366 million) respectively and other guarantees of HK$1,675 million (2011 – HK$1,214 million). These amounts have been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$9,702 million (2011 – HK$9,204 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2012 amounting to HK$79,036 million (2011 – HK$78,191 million).