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 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

(a) HKFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to HKFRS 7*

The amendments to HKFRS 7 require disclosure of the effect or potential effects of netting arrangements on an entity's financial position. The amendments require disclosure of recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

The amendments to HKFRS 7 require retrospective application. New disclosures are provided in note 44(k).

(b) HKFRS 10 *Consolidated Financial Statements* and HKAS 27 *Separate Financial Statements*

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

(c) HKFRS 11 *Joint Arrangements* and HKAS 28 *Investment in Associates and Joint Ventures*

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

Under HKFRS 11 investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike HKAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

On adoption of HKFRS 11, the Group's listed subsidiary, Cheung Kong Infrastructure ("CKI") reviewed and re-assessed the classification of its equity-accounted for investments, which were previously classified by CKI as interests in jointly controlled entities and interests in associates. CKI concluded that investments previously classified as interests in jointly controlled entities and certain investments previously classified as interests in associates are required to be classified as interests in joint ventures in accordance with the requirements of HKFRS 11. Other than the change in classification these investments continue to be accounted for using the equity method of accounting. As a result, CKI restated its comparative information to reflect the retrospective application of this change in classification.

The effect of the adoption of HKFRS 11 to the Group's financial statements is a reclassification of certain comparative line items within the respective statement in the consolidated accounts, as explained in (h) below, and has no impact on the Group's results or total equity.

1 Basis of preparation (continued)

(d) HKFRS 12 *Disclosures of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. New disclosures are provided in note 19.

(e) HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. New disclosures are provided in notes 14, 44(i) and 44 (j).

(f) HKAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1*

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results or total equity.

(g) HKAS 19 *Employee Benefits (Revised 2011)* ("HKAS 19 (2011)")

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit or loss; expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit liability (asset) is in profit or loss, calculated using the discount rate used to measure the defined benefit obligation and; unvested past service costs are now recognised in profit or loss in the period and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) requires retrospective application. The adoption of HKAS 19 (2011) had an impact on the net defined benefit plan obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of HKAS 19 (2011) is explained below.

1 Basis of preparation (continued)

(h) As a result of the changes in accounting policies mentioned above, certain adjustments have been made to the comparative information. The effect, where material, of these changes are summarised below:

(i) Estimated effect on the consolidated income statement for the year ended 31 December 2013

	Changes in accounting policies		
	HKAS 19 (2011) HK$ millions	HKFRS 11 HK$ millions	Total HK$ millions
Revenue	–	–	–
Cost of inventories sold	–	–	–
Staff costs	(334)	–	(334)
Telecommunications customer acquisition costs	–	–	–
Depreciation and amortisation	–	–	–
Other operating expenses	–	–	–
Change in fair value of investment properties	–	–	–
Profits on disposal of investments and others	–	–	–
Share of profits less losses after tax of:			
Associated companies before profits on disposal of investments and others	(25)	(6,481)	(6,506)
Joint ventures	(3)	6,481	6,478
Associated companies' share of profits on disposal of investments and others	–	–	–
	(362)	–	(362)
Interest expenses and other finance costs	–	–	–
Profit before tax	(362)	–	(362)
Current tax	20	–	20
Deferred tax	7	–	7
Profit after tax	(335)	–	(335)
Allocated as:			
Profit attributable to non-controlling interests and holders of perpetual capital securities	36	–	36
Profit attributable to ordinary shareholders of the Company	(299)	–	(299)
Earnings per share for profit attributable to ordinary shareholders of the Company	(HK$0.07)	–	(HK$0.07)

1 Basis of preparation (continued)

(ii) Estimated effect on the consolidated statement of comprehensive income for the year ended 31 December 2013

	Changes in accounting policies		
	HKAS 19 (2011) HK$ millions	HKFRS 11 HK$ millions	Total HK$ millions
Profit after tax	(335)	–	(335)
Other comprehensive income (losses)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations recognised directly in reserves	309	–	309
Share of other comprehensive income of associated companies	49	138	187
Share of other comprehensive income (losses) of joint ventures	3	(138)	(135)
Tax relating to items that will not be reclassified to profit or loss	(22)	–	(22)
	339	–	339
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Available-for-sale investments			
Valuation gains recognised directly in reserves	–	–	–
Valuation losses (gains) previously in reserves recognised in income statement	–	–	–
Gains (losses) on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	–	–	–
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	–	–	–
Losses (gains) previously in exchange reserve related to subsidiaries and associated companies disposed during the year recognised in income statement	–	–	–
Share of other comprehensive income (losses) of associated companies	–	(384)	(384)
Share of other comprehensive income of joint ventures	–	384	384
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	–	–	–
	–	–	–
Other comprehensive income (losses) after tax	339	–	339
Total comprehensive income	4	–	4
Allocated as:			
Attributable to non-controlling interests and holders of perpetual capital securities	2	–	2
Attributable to ordinary shareholders of the Company	6	–	6

1 Basis of preparation (continued)

(iii) Estimated effect on the consolidated statement of financial position as at 31 December 2013

	Changes in accounting policies		
	HKAS 19 (2011) HK$ millions	HKFRS 11 HK$ millions	Total HK$ millions
ASSETS			
Non-current assets			
Fixed assets	–	–	–
Investment properties	–	–	–
Leasehold land	–	–	–
Telecommunications licences	–	–	–
Goodwill	–	–	–
Brand names and other rights	–	–	–
Associated companies	24	(43,136)	(43,112)
Interests in joint ventures	(2)	43,136	43,134
Deferred tax assets	(8)	–	(8)
Other non-current assets	–	–	–
Liquid funds and other listed investments	–	–	–
	14	–	14
Current assets			
Cash and cash equivalents	–	–	–
Trade and other receivables	–	–	–
Inventories	–	–	–
	–	–	–
Current liabilities			
Trade and other payables	–	–	–
Bank and other debts	–	–	–
Current tax liabilities	–	–	–
	–	–	–
Net current assets	–	–	–
Total assets less current liabilities	14	–	14
Non-current liabilities			
Bank and other debts	–	–	–
Interest bearing loans from non-controlling shareholders	–	–	–
Deferred tax liabilities	(10)	–	(10)
Pension obligations	71	–	71
Other non-current liabilities	–	–	–
	61	–	61
Net assets	(47)	–	(47)
CAPITAL AND RESERVES			
Share capital	–	–	–
Perpetual capital securities	–	–	–
Reserves	(34)	–	(34)
Total ordinary shareholders' funds and perpetual capital securities	(34)	–	(34)
Non-controlling interests	(13)	–	(13)
Total equity	(47)	–	(47)

1 Basis of preparation (continued)

(iv) Effect on the consolidated income statement for the year ended 31 December 2012

	As previously reported	Changes in accounting policies: HKAS 19 (2011)	Changes in accounting policies: HKFRS 11	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Revenue	243,089	–	–	243,089
Cost of inventories sold	(98,113)	–	–	(98,113)
Staff costs	(31,171)	(245)	–	(31,416)
Telecommunications customer acquisition costs	(25,514)	–	–	(25,514)
Depreciation and amortisation	(14,149)	–	–	(14,149)
Other operating expenses	(50,364)	–	–	(50,364)
Change in fair value of investment properties	790	–	–	790
Profits on disposal of investments and others	(2,052)	–	–	(2,052)
Share of profits less losses after tax of:				
Associated companies	14,978	(20)	(4,400)	10,558
Joint ventures	6,530	(6)	4,400	10,924
	44,024	(271)	–	43,753
Interest expenses and other finance costs	(9,243)	–	–	(9,243)
Profit before tax	34,781	(271)	–	34,510
Current tax	(3,097)	18	–	(3,079)
Deferred tax	676	–	–	676
Profit after tax	32,360	(253)	–	32,107
Allocated as:				
Profit attributable to non-controlling interests and holders of perpetual capital securities	(6,232)	22	–	(6,210)
Profit attributable to ordinary shareholders of the Company	26,128	(231)	–	25,897
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$ 6.13	(HK$ 0.06)	–	HK$ 6.07

1 Basis of preparation (continued)

(v) Effect on the consolidated statement of comprehensive income for the year ended 31 December 2012

	As previously reported	Changes in accounting policies: HKAS 19 (2011)	Changes in accounting policies: HKFRS 11	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Profit after tax	32,360	(253)	–	32,107
Other comprehensive income (losses)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations recognised directly in reserves	(825)	248	–	(577)
Share of other comprehensive income of associated companies	100	20	127	247
Share of other comprehensive income (losses) of joint ventures	(8)	6	(127)	(129)
Tax relating to items that will not be reclassified to profit or loss	87	(19)	–	68
	(646)	255	–	(391)
Items that have been reclassified or may be subsequently reclassified to profit or loss:				
Available-for-sale investments				
Valuation gains recognised directly in reserves	1,761	–	–	1,761
Valuation gains previously in reserves recognised in income statement	(210)	–	–	(210)
Losses on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts 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 reserve related to subsidiaries disposed during the year recognised in income statement	69	–	–	69
Share of other comprehensive income (losses) of associated companies	2,205	–	(680)	1,525
Share of other comprehensive income of joint ventures	944	–	680	1,624
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(82)	–	–	(82)
	6,463	–	–	6,463
Other comprehensive income after tax	5,817	255	–	6,072
Total comprehensive income	38,177	2	–	38,179
Allocated as:				
Attributable to non-controlling interests and holders of perpetual capital securities	(6,592)	(1)	–	(6,593)
Attributable to ordinary shareholders of the Company	31,585	1	–	31,586

1 Basis of preparation (continued)

(vi) Effect on the consolidated statement of financial position as at 31 December 2012

	As previously reported	Changes in accounting policies: HKAS 19 (2011)	Changes in accounting policies: HKFRS 11	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ASSETS				
Non-current assets				
Fixed assets	167,588	–	–	167,588
Investment properties	43,652	–	–	43,652
Leasehold land	9,495	–	–	9,495
Telecommunications licences	78,655	–	–	78,655
Goodwill	26,492	–	–	26,492
Brand names and other rights	15,328	–	–	15,328
Associated companies	151,860	–	(38,555)	113,305
Interests in joint ventures	70,397	(2)	38,555	108,950
Deferred tax assets	18,067	(8)	–	18,059
Other non-current assets	9,579	–	–	9,579
Liquid funds and other listed investments	23,499	–	–	23,499
	614,612	(10)	–	614,602
Current assets				
Cash and cash equivalents	107,948	–	–	107,948
Trade and other receivables	61,788	–	–	61,788
Inventories	19,533	–	–	19,533
	189,269	–	–	189,269
Current liabilities				
Trade and other payables	78,471	–	–	78,471
Bank and other debts	39,596	–	–	39,596
Current tax liabilities	2,856	–	–	2,856
	120,923	–	–	120,923
Net current assets	68,346	–	–	68,346
Total assets less current liabilities	682,958	(10)	–	682,948
Non-current liabilities				
Bank and other debts	220,440	–	–	220,440
Interest bearing loans from non-controlling shareholders	6,307	–	–	6,307
Deferred tax liabilities	8,973	(5)	–	8,968
Pension obligations	3,570	46	–	3,616
Other non-current liabilities	5,076	–	–	5,076
	244,366	41	–	244,407
Net assets	438,592	(51)	–	438,541
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Perpetual capital securities	23,400	–	–	23,400
Reserves	367,093	(40)	–	367,053
Total ordinary shareholders' funds and perpetual capital securities	391,559	(40)	–	391,519
Non-controlling interests	47,033	(11)	–	47,022
Total equity	438,592	(51)	–	438,541

1 Basis of preparation (continued)

(vii) Effect on the consolidated income statement for the year ended 31 December 2011

	As previously reported	Changes in accounting policies: HKAS 19 (2011)	Changes in accounting policies: HKFRS 11	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Revenue	233,700	–	–	233,700
Cost of inventories sold	(93,059)	–	–	(93,059)
Staff costs	(30,488)	(222)	–	(30,710)
Telecommunications customer acquisition costs	(22,497)	–	–	(22,497)
Depreciation and amortisation	(14,080)	–	–	(14,080)
Other operating expenses	(53,055)	–	–	(53,055)
Change in fair value of investment properties	–	–	–	–
Profits on disposal of investments and others	43,147	–	–	43,147
Share of profits less losses after tax of:				
Associated companies	13,819	(16)	(3,142)	10,661
Joint ventures	5,877	(5)	3,142	9,014
	83,364	(243)	–	83,121
Interest expenses and other finance costs	(8,415)	–	–	(8,415)
Profit before tax	74,949	(243)	–	74,706
Current tax	(3,237)	15	–	(3,222)
Deferred tax	2,150	4	–	2,154
Profit after tax	73,862	(224)	–	73,638
Allocated as:				
Profit attributable to non-controlling interests and holders of perpetual capital securities	(17,843)	29	–	(17,814)
Profit attributable to ordinary shareholders of the Company	56,019	(195)	–	55,824
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$ 13.14	(HK$ 0.05)	–	HK$ 13.09

1 Basis of preparation (continued)

(viii) Effect on the consolidated statement of comprehensive income for the year ended 31 December 2011

	As previously reported HK$ millions	Changes in accounting policies HKAS 19 (2011) HK$ millions	HKFRS 11 HK$ millions	As restated HK$ millions
Profit after tax	73,862	(224)	–	73,638
Other comprehensive income (losses)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations recognised directly in reserves	(1,607)	212	–	(1,395)
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	(1,862)	16	880	(966)
Share of other comprehensive income (losses) of joint ventures	(29)	5	(880)	(904)
Tax relating to items that will not be reclassified to profit or loss	170	(16)	–	154
	(3,320)	217	–	(3,103)
Items that have been reclassified or may be subsequently reclassified to profit or loss:				
Available-for-sale investments				
Valuation gains recognised directly in reserves	298	–	–	298
Valuation gains previously in reserves recognised in income statement	(280)	–	–	(280)
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	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 during the year recognised in income statement	937	–	–	937
Share of other comprehensive income (losses) of associated companies	(1,668)	–	270	(1,398)
Share of other comprehensive income (losses) of joint ventures	1,655	–	(270)	1,385
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(64)	–	–	(64)
	2,265	–	–	2,265
Other comprehensive income (losses) after tax	(1,055)	217	–	(838)
Total comprehensive income (losses)	72,807	(7)	–	72,800
Allocated as:				
Attributable to non-controlling interests and holders of perpetual capital securities	(17,150)	8	–	(17,142)
Attributable to ordinary shareholders of the Company	55,657	1	–	55,658

1 Basis of preparation (continued)

(ix) Effect on the consolidated statement of financial position as at 1 January 2012

	As previously reported	Changes in accounting policies: HKAS 19 (2011)	Changes in accounting policies: HKFRS 11	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ASSETS				
Non-current assets				
Fixed assets	155,502	–	–	155,502
Investment properties	42,610	–	–	42,610
Leasehold land	10,004	–	–	10,004
Telecommunications licences	75,503	–	–	75,503
Goodwill	26,338	–	–	26,338
Brand names and other rights	12,615	–	–	12,615
Associated companies	137,703	–	(32,198)	105,505
Interests in joint ventures	67,562	(2)	32,198	99,758
Deferred tax assets	16,992	(7)	–	16,985
Other non-current assets	10,184	–	–	10,184
Liquid funds and other listed investments	20,239	–	–	20,239
	575,252	(9)	–	575,243
Current assets				
Cash and cash equivalents	66,539	–	–	66,539
Trade and other receivables	60,345	–	–	60,345
Inventories	18,408	–	–	18,408
	145,292	–	–	145,292
Current liabilities				
Trade and other payables	78,093	–	–	78,093
Bank and other debts	28,835	–	–	28,835
Current tax liabilities	2,431	–	–	2,431
	109,359	–	–	109,359
Net current assets	35,933	–	–	35,933
Total assets less current liabilities	611,185	(9)	–	611,176
Non-current liabilities				
Bank and other debts	189,719	–	–	189,719
Interest bearing loans from non-controlling shareholders	6,502	–	–	6,502
Deferred tax liabilities	8,893	(5)	–	8,888
Pension obligations	2,992	49	–	3,041
Other non-current liabilities	4,296	–	–	4,296
	212,402	44	–	212,446
Net assets	398,783	(53)	–	398,730
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Perpetual capital securities	15,600	–	–	15,600
Reserves	342,946	(41)	–	342,905
Total ordinary shareholders' funds and perpetual capital securities	359,612	(41)	–	359,571
Non-controlling interests	39,171	(12)	–	39,159
Total equity	398,783	(53)	–	398,730

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 joint ventures on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2013 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 over which the Company has control. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 joint venture, 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 net assets 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 arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

The results and net assets of joint ventures 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 3G 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 is 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 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 using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

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

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

Available-for-sale investments

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At 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.

(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.

2 Significant accounting policies (continued)

(q) Inventories

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

(r) Cash and cash equivalents

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

(s) Borrowings and borrowing costs

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

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

(t) Trade and other payables

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

(u) Customer loyalty credits

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

(v) Share capital

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

(w) Provisions

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

(x) Leased assets

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

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

2 Significant accounting policies (continued)

(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 dispose 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. 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.

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

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.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

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

(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, joint ventures 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 joint venture 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 that includes a foreign operation, 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 joint ventures 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, and applicable to the Group's accounts for annual accounting periods beginning on or after 1 January 2014, but not yet effective and have not been early adopted by the Group:

HKFRS 9 (2013) [(i)]	Financial Instruments
HKFRS 9 and 7 (Amendments) [(i)]	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 10, 12 and HKAS 27 (Amendments) [(ii)]	Investments Entities
HKAS 19 (2011) (Amendments) [(iii)]	Defined Benefit Plans – Employee Contributions
HKAS 32 (Amendments) [(ii)]	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments) [(ii)]	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments) [(ii)]	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21 [(ii)]	Levies
Annual Improvements 2010-2012 Cycle [(iv)]	Improvements to HKFRSs
Annual Improvements 2011-2013 Cycle [(iii)]	Improvements to HKFRSs

(i) The current version of HKFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of HKFRS 9 are completed and finalised.

(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.

(iv) Effective for the Group for annual periods beginning on or after 1 January 2015, except for "Amendment to HKFRS 2 Share-based Payment" and "Amendment to HKFRS 3 Business Combinations" which are applicable to share-based payment transactions with a grant date, and business combinations for which the acquisition date, is on or after 1 July 2014.

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. 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.

3 Critical accounting estimates and judgements (continued)

(a) Basis of consolidation

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 control 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 dispose 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 dispose 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 3G businesses have achieved a fourth consecutive year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at 31 December 2013 and 31 December 2012 to assess whether the carrying values of the Group's 3G 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 2013 and 31 December 2012 indicated that no impairment charge was necessary.

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

3 Critical accounting estimates and judgements (continued)

(b) Long-lived assets (continued)

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. 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 smartphones, 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 3G 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 of approximately 2% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect our expectation of the performance of these businesses nor our forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 5.1% and 6.1% used in the Group's 3G 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.

(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.

3 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation (continued)

(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 3G 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 3G licence to indefinite, the Group's 3G 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 3G 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.

(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.

3 Critical accounting estimates and judgements (continued)

(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 3G 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 3G 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 3G 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.

(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. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

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.

3 Critical accounting estimates and judgements (continued)

(g) Pension costs (continued)

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:

	2013 HK$ millions	2012 HK$ millions
Sales of goods	**156,188**	149,702
Rendering of services	**96,475**	89,544
Interest	**3,273**	3,593
Dividends	**298**	250
	256,234	243,089

5 Operating segment information

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 JV refers to the Group's share of associated companies and joint ventures' respective items (see notes 19 and 20), and 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.

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. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the year ended 31 December 2013 and the second half of 2012 (including VHA's share of certain network closure costs and restructuring costs) are presented as separate items within the income statement line item titled profits on disposal of investments and others (see note 6(c)) to separately identify them from the Group's recurring earnings profile during this phase. The share of VHA's results for the first half of 2012 is presented in this segmental analysis as the "Reconciliation item" to reconcile segment results to consolidated results of the Company.

The Group is continuing to assess its strategic options for maximising the value and future growth potential of the Retail division. This strategic review process may include considering the possibility of public offerings (whilst retaining control) in all or some of the retail businesses in appropriate markets. Whilst no decision has been made at this time to pursue any particular option, the Marionnaud business will not be considered at this stage as a potential initial public offerings candidate. As a result, the Marionnaud business is excluded from the Retail segment and is now included as part of the "Others" operation under Finance & Investments and Others.

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position. As additional information, "Others" is presented as a separate line item, within Finance & Investments and Others, which covers the activities of other Group areas which are not presented separately and includes Hutchison Whampoa (China), Hutchison E-Commerce and corporate head office operations, the Marionnaud business, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring and listed associate Tom Group. "Finance & Investments" within Finance & Investments and Others represents returns earned on the Group's holdings of cash and liquid investments.

Prior year corresponding segment information that is presented for comparative purposes has been restated to conform to changes adopted in the current year.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Property and hotels is HK$384 million (2012 – HK$353 million), Hutchison Telecommunications Hong Kong Holdings is HK$134 million (2012 – HK$119 million) and Hutchison Asia Telecommunications is HK$10 million (2012 – HK$8 million).

5 Operating segment information (continued)

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

	Revenue							
	Company and Subsidiaries	**Associates and JV**	**2013 Total**		Company and Subsidiaries	Associates and JV	2012 Total	
	HK$ millions	**HK$ millions**	**HK$ millions**	**%**	HK$ millions	HK$ millions	HK$ millions	%
Ports and related services	**26,562**	**7,557**	**34,119**	**8%**	25,647	7,294	32,941	8%
Hutchison Ports Group other than HPH Trust	**26,488**	**4,872**	**31,360**	**7%**	25,627	4,581	30,208	7%
HPH Trust #	**74**	**2,685**	**2,759**	**1%**	20	2,713	2,733	1%
Property and hotels	**6,807**	**17,457**	**24,264**	**6%**	6,341	13,629	19,970	5%
Retail	**119,637**	**29,510**	**149,147**	**36%**	111,418	27,101	138,519	35%
Cheung Kong Infrastructure	**5,087**	**37,373**	**42,460**	**10%**	4,254	35,439	39,693	10%
Husky Energy *	**–**	**59,481**	**59,481**	**14%**	–	58,744	58,744	15%
3 Group Europe	**61,968**	**8**	**61,976**	**15%**	58,708	–	58,708	15%
Hutchison Telecommunications Hong Kong Holdings	**12,777**	**–**	**12,777**	**3%**	15,536	–	15,536	4%
Hutchison Asia Telecommunications	**6,295**	**–**	**6,295**	**2%**	4,452	–	4,452	1%
Finance & Investments and Others	**17,101**	**5,313**	**22,414**	**6%**	16,733	4,967	21,700	5%
Finance & Investments	**1,432**	**889**	**2,321**	**1%**	1,619	769	2,388	–
Others	**15,669**	**4,424**	**20,093**	**5%**	15,114	4,198	19,312	5%
	256,234	**156,699**	**412,933**	**100%**	243,089	147,174	390,263	98%
Reconciliation item @	**–**	**–**	**–**	**–**	–	7,648	7,648	2%
	256,234	**156,699**	**412,933**	**100%**	243,089	154,822	397,911	100%
Non-controlling interests' share of HPH Trust's revenue	**–**	**897**	**897**		–	886	886	
	256,234	**157,596**	**413,830**		243,089	155,708	398,797	

\# represents the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2013. Revenue reduced by HK$897 million and HK$886 million for 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

* revenue reduced by HK$480 million for the year ended 31 December 2012 due to reclassification adjustments made by Husky Energy to its 2012 reported revenue and cost of sales following a change in presentation of trading activities and a change in the classification of certain trading transactions.

@ the reconciliation item represents revenue of HTAL and its share of VHA for the first half of 2012 of HK$7,648 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 JV HK$ millions	2013 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2012 Total HK$ millions	%
Ports and related services	7,822	3,625	11,447	12%	7,350	3,993	11,343	13%
Hutchison Ports Group other than HPH Trust	7,757	2,303	10,060	11%	7,342	2,551	9,893	11%
HPH Trust #	65	1,322	1,387	1%	8	1,442	1,450	2%
Property and hotels	7,340	6,655	13,995	15%	4,129	6,758	10,887	12%
Retail	11,684	2,474	14,158	15%	10,310	2,469	12,779	15%
Cheung Kong Infrastructure	1,657	21,184	22,841	24%	1,699	19,706	21,405	25%
Husky Energy	–	14,779	14,779	15%	–	14,889	14,889	17%
3 Group Europe	12,697	(26)	12,671	13%	9,227	(14)	9,213	11%
Hutchison Telecommunications Hong Kong Holdings	2,694	64	2,758	3%	3,020	30	3,050	3%
Hutchison Asia Telecommunications (o)	819	–	819	1%	423	–	423	–
Finance & Investments and Others	439	1,740	2,179	2%	1,084	1,395	2,479	3%
Finance & Investments	1,919	889	2,808	3%	2,235	769	3,004	4%
Others	(1,480)	851	(629)	-1%	(1,151)	626	(525)	-1%
	45,152	50,495	95,647	100%	37,242	49,226	86,468	99%
Reconciliation item @	–	–	–	–	(7)	875	868	1%
EBITDA before property revaluation and profits on disposal of investments and others	45,152	50,495	95,647	100%	37,235	50,101	87,336	100%
Profits on disposal of investments (see note 6)	1,889	–	1,889		–	–	–	
Non-controlling interests' share of HPH Trust's EBITDA	–	634	634		–	611	611	
EBITDA (see note 33(a))	47,041	51,129	98,170		37,235	50,712	87,947	
Depreciation and amortisation	(15,850)	(15,421)	(31,271)		(14,149)	(15,834)	(29,983)	
One-time gains (p)	–	–	–		447	–	447	
Change in fair value of investment properties	26	2	28		790	377	1,167	
Others (see note 6)	–	(2,163)	(2,163)		–	(2,052)	(2,052)	
Group's share of the following income statement items of associated companies and joint ventures:								
Interest expenses and other finance costs	–	(5,768)	(5,768)		–	(7,116)	(7,116)	
Current tax	–	(6,741)	(6,741)		–	(5,564)	(5,564)	
Deferred tax	–	192	192		–	(731)	(731)	
Non-controlling interests	–	(363)	(363)		–	(362)	(362)	
	31,217	20,867	52,084		24,323	19,430	43,753	

\# represents the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2013. EBITDA reduced by HK$634 million and HK$611 million for 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

@ the reconciliation item represents EBITDA of HTAL and its share of VHA for the first half of 2012 of HK$868 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 JV HK$ millions	2013 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2012 Total HK$ millions	%
Ports and related services	4,981	2,377	7,358	12%	4,894	2,787	7,681	13%
Hutchison Ports Group other than HPH Trust	4,916	1,657	6,573	11%	4,886	1,920	6,806	12%
HPH Trust #	65	720	785	1%	8	867	875	1%
Property and hotels	7,122	6,537	13,659	21%	3,883	6,638	10,521	18%
Retail	9,864	1,907	11,771	18%	8,395	1,962	10,357	18%
Cheung Kong Infrastructure	1,424	16,104	17,528	27%	1,581	15,062	16,643	29%
Husky Energy	–	7,208	7,208	11%	–	7,427	7,427	13%
3 Group Europe [p]								
EBITDA before the following non-cash items (see note 33(e)):	12,697	(26)	12,671		9,227	(14)	9,213	
Depreciation	(6,941)	–	(6,941)		(6,248)	–	(6,248)	
Amortisation of licence fees and other rights	(874)	–	(874)		(267)	–	(267)	
One-time gains [p]	–	–	–		447	–	447	
EBIT (LBIT) - **3** Group Europe [p]	4,882	(26)	4,856	8%	3,159	(14)	3,145	5%
Hutchison Telecommunications Hong Kong Holdings	1,359	8	1,367	2%	1,738	6	1,744	3%
Hutchison Asia Telecommunications [o]	(409)	–	(409)	-1%	(846)	–	(846)	-1%
Finance & Investments and Others	79	1,180	1,259	2%	736	1,178	1,914	3%
Finance & Investments	1,919	889	2,808	4%	2,235	769	3,004	5%
Others	(1,840)	291	(1,549)	-2%	(1,499)	409	(1,090)	-2%
	29,302	35,295	64,597	100%	23,540	35,046	58,586	101%
Reconciliation item @	–	–	–	–	(7)	(560)	(567)	-1%
EBIT before property revaluation and profits on disposal of investments and others	29,302	35,295	64,597	100%	23,533	34,486	58,019	100%
Change in fair value of investment properties	26	2	28		790	377	1,167	
EBIT	29,328	35,297	64,625		24,323	34,863	59,186	
Profits on disposal of investments and others (see note 6)	1,889	(2,163)	(274)		–	(2,052)	(2,052)	
Non-controlling interests' share of HPH Trust's EBIT	–	413	413		–	392	392	
Group's share of the following income statement items of associated companies and joint ventures:								
Interest expenses and other finance costs	–	(5,768)	(5,768)		–	(7,116)	(7,116)	
Current tax	–	(6,741)	(6,741)		–	(5,564)	(5,564)	
Deferred tax	–	192	192		–	(731)	(731)	
Non-controlling interests	–	(363)	(363)		–	(362)	(362)	
	31,217	20,867	52,084		24,323	19,430	43,753	

\# represents the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2013. EBIT reduced by HK$413 million and HK$392 million for 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

@ the reconciliation item represents LBIT of HTAL and its share of VHA for the first half of 2012 of HK$567 million.

5 Operating segment information (continued)

(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 JV HK$ millions	2013 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2012 Total HK$ millions
Ports and related services	2,841	1,248	4,089	2,456	1,206	3,662
Hutchison Ports Group other than HPH Trust	2,841	646	3,487	2,456	631	3,087
HPH Trust #	–	602	602	–	575	575
Property and hotels	218	118	336	246	120	366
Retail	1,820	567	2,387	1,915	507	2,422
Cheung Kong Infrastructure	233	5,080	5,313	118	4,644	4,762
Husky Energy	–	7,571	7,571	–	7,462	7,462
3 Group Europe	7,815	–	7,815	6,515	–	6,515
Hutchison Telecommunications Hong Kong Holdings	1,335	56	1,391	1,282	24	1,306
Hutchison Asia Telecommunications	1,228	–	1,228	1,269	–	1,269
Finance & Investments and Others	360	560	920	348	217	565
Finance & Investments	–	–	–	–	–	–
Others	360	560	920	348	217	565
	15,850	15,200	31,050	14,149	14,180	28,329
Reconciliation item @	–	–	–	–	1,435	1,435
	15,850	15,200	31,050	14,149	15,615	29,764
Non-controlling interests' share of HPH Trust's depreciation and amortisation	–	221	221	–	219	219
	15,850	15,421	31,271	14,149	15,834	29,983

represents the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2013. Depreciation and amortisation reduced by HK$221 million and HK$219 million for 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

@ the reconciliation item represents depreciation and amortisation of HTAL and its share of VHA for the first half of 2012 of HK$1,435 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 HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2013 Total HK$ millions	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2012 Total HK$ millions
Ports and related services	7,060	–	11	7,071	7,556	–	–	7,556
Hutchison Ports Group other than HPH Trust	7,060	–	11	7,071	7,556	–	–	7,556
HPH Trust	–	–	–	–	–	–	–	–
Property and hotels	535	–	–	535	271	–	–	271
Retail	2,264	–	–	2,264	2,717	–	–	2,717
Cheung Kong Infrastructure	406	–	11	417	680	–	–	680
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe [q]	10,116	6,824	60	17,000	11,323	2,253	23	13,599
Hutchison Telecommunications Hong Kong Holdings	1,239	4	23	1,266	1,600	152	20	1,772
Hutchison Asia Telecommunications	1,621	–	–	1,621	2,017	17	97	2,131
Finance & Investments and Others	319	–	–	319	381	–	–	381
Finance & Investments	–	–	–	–	–	–	–	–
Others	319	–	–	319	381	–	–	381
	23,560	6,828	105	30,493	26,545	2,422	140	29,107

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 (f)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2013 Total assets	Segment assets (f)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2012 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	**71,164**	**169**	**27,548**	**98,881**	66,021	165	27,936	94,122
Hutchison Ports Group other than HPH Trust	**71,164**	**169**	**13,483**	**84,816**	66,021	165	13,332	79,518
HPH Trust	**–**	**–**	**14,065**	**14,065**	–	–	14,604	14,604
Property and hotels	**53,049**	**21**	**42,839**	**95,909**	51,344	40	41,379	92,763
Retail	**39,329**	**670**	**5,035**	**45,034**	36,325	545	6,435	43,305
Cheung Kong Infrastructure	**20,134**	**21**	**85,589**	**105,744**	17,406	22	77,111	94,539
Husky Energy	**–**	**–**	**51,833**	**51,833**	–	–	54,023	54,023
3 Group Europe (s)	**235,401**	**17,265**	**18**	**252,684**	208,310	16,850	9	225,169
Hutchison Telecommunications Hong Kong Holdings	**19,169**	**369**	**715**	**20,253**	19,296	369	484	20,149
Hutchison Asia Telecommunications	**20,785**	**1**	**–**	**20,786**	21,387	1	–	21,388
Finance & Investments and Others	**114,614**	**30**	**4,831**	**119,475**	143,445	32	2,874	146,351
Finance & Investments	**89,947**	**–**	**–**	**89,947**	118,506	–	–	118,506
Others	**24,667**	**30**	**4,831**	**29,528**	24,939	32	2,874	27,845
	573,645	**18,546**	**218,408**	**810,599**	563,534	18,024	210,251	791,809
Reconciliation item @	**–**	**2**	**4,921**	**4,923**	23	35	12,004	12,062
	573,645	**18,548**	**223,329**	**815,522**	563,557	18,059	222,255	803,871

@ 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	2013 Total liabilities	Segment liabilities (t)	Current & non-current borrowings (u) and other non-current liabilities	Current & deferred tax liabilities	2012 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	17,031	28,559	4,843	50,433	16,158	27,945	5,038	49,141
Hutchison Ports Group other than HPH Trust	17,031	28,559	4,843	50,433	16,158	27,945	5,038	49,141
HPH Trust	–	–	–	–	–	–	–	–
Property and hotels	4,156	409	2,730	7,295	2,384	450	2,364	5,198
Retail	24,670	87	1,066	25,823	22,441	174	1,105	23,720
Cheung Kong Infrastructure	5,200	13,443	1,532	20,175	3,453	11,599	1,010	16,062
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	23,630	101,565	930	126,125	20,979	128,645	213	149,837
Hutchison Telecommunications Hong Kong Holdings	3,860	5,447	356	9,663	4,820	4,691	289	9,800
Hutchison Asia Telecommunications	3,151	1,550	3	4,704	2,953	2,142	2	5,097
Finance & Investments and Others	8,085	84,776	2,087	94,948	8,716	95,773	1,803	106,292
Finance & Investments	–	78,011	–	78,011	–	89,342	–	89,342
Others	8,085	6,765	2,087	16,937	8,716	6,431	1,803	16,950
	89,783	235,836	13,547	339,166	81,904	271,419	11,824	365,147
Reconciliation item @	124	–	–	124	183	–	–	183
	89,907	235,836	13,547	339,290	82,087	271,419	11,824	365,330

@ 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 JV	2013 Total		Company and Subsidiaries	Associates and JV	2012 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	53,536	8,676	62,212	15%	53,705	10,294	63,999	16%
Mainland China	27,152	21,667	48,819	12%	24,110	18,602	42,712	11%
Europe	120,969	49,740	170,709	41%	114,980	43,863	158,843	40%
Canada (v)	96	59,551	59,647	14%	111	58,707	58,818	15%
Asia, Australia and others	37,380	11,752	49,132	12%	33,450	18,389	51,839	13%
Finance & Investments and Others	17,101	5,313	22,414	6%	16,733	4,967	21,700	5%
	256,234	156,699	412,933 (1)	100%	243,089	154,822	397,911 (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 (m)							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2013 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2012 Total HK$ millions	%
Hong Kong	8,765	4,741	13,506	14%	6,892	5,232	12,124	14%
Mainland China	5,320	8,871	14,191	15%	4,074	8,460	12,534	14%
Europe	21,158	15,767	36,925	39%	16,771	13,809	30,580	35%
Canada (v)	83	14,550	14,633	15%	95	14,650	14,745	17%
Asia, Australia and others	9,387	4,826	14,213	15%	8,319	6,555	14,874	17%
Finance & Investments and Others	439	1,740	2,179	2%	1,084	1,395	2,479	3%
EBITDA before property revaluation and profits on disposal of investments and others	45,152	50,495	95,647 (2)	100%	37,235	50,101	87,336 (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 (n)							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2013 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2012 Total HK$ millions	%
Hong Kong	6,861	3,253	10,114	16%	5,059	3,796	8,855	15%
Mainland China	4,693	7,879	12,572	19%	3,524	7,499	11,023	19%
Europe	11,391	12,607	23,998	37%	8,806	11,132	19,938	34%
Canada (v)	83	6,987	7,070	11%	96	7,175	7,271	13%
Asia, Australia and others	6,195	3,389	9,584	15%	5,312	3,706	9,018	16%
Finance & Investments and Others	79	1,180	1,259	2%	736	1,178	1,914	3%
EBIT before property revaluation and profits on disposal of investments and others	29,302	35,295	64,597	100%	23,533	34,486	58,019	100%
Change in fair value of investment properties	26	2	28		790	377	1,167	
EBIT	29,328	35,297	64,625 (3)		24,323	34,863	59,186 (3)	

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

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2013 Total	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2012 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	2,008	4	25	2,037	2,412	152	17	2,581
Mainland China	1,654	–	–	1,654	2,228	–	–	2,228
Europe	12,460	6,824	60	19,344	14,674	2,253	23	16,950
Canada	–	–	–	–	–	–	–	–
Asia, Australia and others	7,119	–	20	7,139	6,850	17	100	6,967
Finance & Investments and Others	319	–	–	319	381	–	–	381
	23,560	6,828	105	30,493	26,545	2,422	140	29,107

(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 [r]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2013 Total assets	Segment assets [r]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2012 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	77,353	417	28,724	106,494	75,669	434	28,241	104,344
Mainland China	14,264	495	65,724	80,483	11,815	346	64,041	76,202
Europe	294,553	17,424	56,252	368,229	264,291	16,969	48,158	329,418
Canada [v]	329	–	47,701	48,030	410	–	50,325	50,735
Asia, Australia and others	72,532	182	20,097	92,811	67,927	278	28,616	96,821
Finance & Investments and Others	114,614	30	4,831	119,475	143,445	32	2,874	146,351
	573,645	18,548	223,329	815,522	563,557	18,059	222,255	803,871

(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 joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation. 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 joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation. 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 2013 are compensation contributions amounting to HK$717 million (2012 – HK$1,590 million).

(p) Included in comparable 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.

(q) Included in capital expenditures of **3** Group Europe in 2013 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2013 which has an effect of increasing total expenditures by HK$150 million (2012 – HK$253 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$96,779 million (2012 – HK$95,803 million), HK$76,967 million (2012 – HK$73,676 million), HK$305,349 million (2012 – HK$270,566 million), HK$47,742 million (2012 – HK$50,366 million) and HK$69,478 million (2012 – HK$73,054 million) respectively.

(s) Included in total assets of **3** Group Europe is an unrealised foreign currency exchange gain arising in 2013 of HK$3,129 million (2012 – HK$3,055 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 HK$ millions	Holders of perpetual capital securities HK$ millions	Non-controlling interests HK$ millions	Total HK$ millions
Year ended 31 December 2013				
Profits on disposal of investments				
3 Austria – one-time net gain [(a)]	569	–	–	569
Gain on disposal of partial interest in Westports in Malaysia at IPO [(b)]	1,056	–	264	1,320
	1,625	–	264	1,889
Others – HTAL – share of operating losses of joint venture VHA [(c)]	(1,458)	–	(201)	(1,659)
	167	–	63	230
Others – Share of Husky Energy's impairment charge on certain natural gas assets in Western Canada [(d)]	(504)	–	–	(504)
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 [(c)]	(1,803)	–	(249)	(2,052)

(a) In 2013, the Group recognised a one-time net gain of HK$569 million, arising from the disposal of certain non-core telecommunications assets in Austria of HK$2,648 million, upon completion of the acquisition of Orange Austria, net with one-time costs of HK$2,079 million mainly relating to the restructuring of **3** Austria's business on the acquisition of Orange Austria. The relating tax effect is a tax credit of HK$389 million.

(b) In 2013, the Group recognised a one-time gain of HK$1,056 million, arising on the Group's reduced interest in Westports Holdings Bhd ("Westports") following Westports' successful initial public offering of its shares.

(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. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the year ended 31 December 2013 and the second half of 2012 (including share of certain network closure costs and restructuring costs) are presented as separate items above to separately identify them from the recurring earnings profile during this phase.

(d) In 2013, the Group recognised a one-time impairment charge of HK$504 million in relation to the Group's share of impairment charge on certain natural gas assets of Husky Energy in Western Canada.

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 2013 and 2012 are as below (also see Corporate Governance Report):

	2013					
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	47.95	–	–	52.66
Paid by Cheung Kong Infrastructure	0.08	–	22.87	–	–	22.95
Paid to the Company	(0.08)	–	–	–	–	(0.08)
	0.12	4.59	70.82	–	–	75.53
FOK Kin Ning, Canning [(b)]	0.12	10.85	175.00	2.22	–	188.19
CHOW WOO Mo Fong, Susan [(b)]	0.12	8.01	39.16	1.59	–	48.88
Frank John SIXT [(b)]	0.12	7.99	37.88	0.69	–	46.68
LAI Kai Ming, Dominic [(b)]	0.12	5.44	37.39	1.01	–	43.96
KAM Hing Lam						
Paid by the Company	0.12	2.30	8.54	–	–	10.96
Paid by Cheung Kong Infrastructure	0.08	4.20	9.78	–	–	14.06
Paid to the Company	(0.08)	(4.20)	–	–	–	(4.28)
	0.12	2.30	18.32	–	–	20.74
LEE Yeh Kwong, Charles [(d) (i)]	0.11	–	–	–	–	0.11
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)]	0.12	–	–	–	–	0.12
William SHURNIAK [(c) (e)]	0.25	–	–	–	–	0.25
WONG Chung Hin [(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.19	39.18	378.57	5.51	–	425.45

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2012 – 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$1,110,000 (2012 – HK$1,100,000).

(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.

(i) Appointed on 18 January 2013.

7 Directors' emoluments (continued)

	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

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 (2012 – nil).

In 2013 and 2012, the five individuals whose emoluments were the highest for the year were five directors of the Company.

8 Interest expenses and other finance costs

	2013 HK$ millions	2012 HK$ millions
Bank loans and overdrafts	**1,306**	1,424
Other loans repayable within 5 years	**73**	59
Other loans not wholly repayable within 5 years	**28**	21
Notes and bonds repayable within 5 years	**3,374**	4,181
Notes and bonds not wholly repayable within 5 years	**2,652**	2,441
	7,433	8,126
Interest bearing loans from non-controlling shareholders repayable within 5 years	**186**	233
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	**5**	6
	7,624	8,365
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**274**	273
Notional non-cash interest accretion [a]	**422**	461
Other finance costs	**244**	249
	8,564	9,348
Less: interest capitalised [b]	**(173)**	(105)
	8,391	9,243

(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 6.6% per annum (2012 – 0.1% to 6.5% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2013 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2012 Total HK$ millions
Hong Kong	**601**	**378**	**979**	326	281	607
Outside Hong Kong	**3,630**	**191**	**3,821**	2,753	(957)	1,796
	4,231	**569**	**4,800**	3,079	(676)	2,403

Hong Kong profits tax has been provided for at the rate of 16.5% (2012 – 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:

	2013 HK$ millions	2012 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**5,537**	3,974
Tax effect of:		
Tax losses not recognised	**1,216**	2,074
Tax incentives	**(21)**	(27)
Income not subject to tax	**(1,034)**	(1,092)
Expenses not deductible for tax purposes	**1,066**	957
Recognition of previously unrecognised tax losses	**(1,747)**	(2,345)
Utilisation of previously unrecognised tax losses	**(56)**	(697)
Under provision in prior years	**669**	142
Deferred tax assets written off	**(7)**	1
Other temporary differences	**(745)**	(915)
Effect of change in tax rate	**(78)**	331
Total tax for the year	**4,800**	2,403

10 Distributions and dividends

	2013 HK$ millions	2012 HK$ millions
Distributions paid on perpetual capital securities	**1,351**	1,170
Dividends paid and payable on ordinary shares		
Interim, paid of HK$0.60 per share (2012 – HK$0.55)	**2,558**	2,345
Final, proposed of HK$1.70 per share (2012 – HK$1.53)	**7,248**	6,523
	9,806	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$31,112 million (2012 – HK$25,897 million) and on 4,263,370,780 shares in issue during 2013 (2012 – 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 2013. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2013 did not have a dilutive effect on earnings per share.

12 Other comprehensive income (losses)

	2013		
	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	**382**	**(64)**	**318**
Valuation losses previously in reserves recognised in income statement	**6**	**–**	**6**
Remeasurement of defined benefit obligations recognised directly in reserves	**694**	**84**	**778**
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	**346**	**(12)**	**334**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(1,774)**	**–**	**(1,774)**
Gains previously in exchange reserve related to subsidiaries and associated companies disposed during the year recognised in income statement	**(152)**	**–**	**(152)**
Share of other comprehensive income (losses) of associated companies	**(3,237)**	**–**	**(3,237)**
Share of other comprehensive income of joint ventures	**474**	**–**	**474**
	(3,261)	**8**	**(3,253)**

	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	(210)	–	(210)
Remeasurement of defined benefit obligations recognised directly in reserves	(577)	68	(509)
Losses on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts 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 reserve related to subsidiaries disposed during the year recognised in income statement	69	–	69
Share of other comprehensive income of associated companies	1,772	–	1,772
Share of other comprehensive income of joint ventures	1,495	–	1,495
	6,086	(14)	6,072

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 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	(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 1 January 2013	**47,970**	**137,877**	**106,315**	**292,162**
Additions	**3,078**	**2,207**	**17,320**	**22,605**
Relating to subsidiaries acquired	**527**	**822**	**1,047**	**2,396**
Disposals	**(688)**	**(1,174)**	**(3,198)**	**(5,060)**
Relating to subsidiaries disposed	**–**	**–**	**(5)**	**(5)**
Transfer from (to) other assets	**(443)**	**8**	**193**	**(242)**
Transfer between categories / investment properties / leasehold land	**1,566**	**6,264**	**(5,591)**	**2,239**
Exchange translation differences	**(27)**	**160**	**1,435**	**1,568**
At 31 December 2013	**51,983**	**146,164**	**117,516**	**315,663**
Accumulated depreciation and impairment				
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	(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 1 January 2013	**11,803**	**49,831**	**62,940**	**124,574**
Relating to subsidiaries acquired	**146**	**42**	**518**	**706**
Charge for the year	**1,291**	**7,227**	**5,328**	**13,846**
Disposals	**(46)**	**(976)**	**(2,987)**	**(4,009)**
Relating to subsidiaries disposed	**–**	**–**	**(4)**	**(4)**
Impairment recognised for the year [(b)]	**–**	**426**	**–**	**426**
Transfer from (to) other assets	**(5)**	**3**	**6**	**4**
Transfer between categories / investment properties / leasehold land	**28**	**746**	**369**	**1,143**
Exchange translation differences	**72**	**633**	**948**	**1,653**
At 31 December 2013	**13,289**	**57,932**	**67,118**	**138,339**
Net book value				
At 31 December 2013	**38,694**	**88,232**	**50,398**	**177,324**
At 31 December 2012	36,167	88,046	43,375	167,588
At 1 January 2012	32,733	81,460	41,309	155,502

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 relates to restructuring of **3** Austria (see note 6(a)).

Land and buildings include projects under development in the amount of HK$4,102 million (2012 – HK$5,219 million).

Cost and net book value of fixed assets include HK$153,058 million (2012 – HK$138,853 million) and HK$87,820 million (2012 – HK$82,807 million) respectively, relating to **3** Group Europe. Impairment tests were undertaken at 31 December 2013 and 31 December 2012 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective 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 2013 and 31 December 2012 indicated that no other impairment charge was necessary.

14 Investment properties

	2013 HK$ millions	2012 HK$ millions
Valuation		
At 1 January	**43,652**	42,610
Additions	**423**	225
Disposals	**(98)**	(12)
Relating to subsidiaries disposed	**(573)**	–
Change in fair value of investment properties	**26**	790
Transfer to fixed assets and leasehold land	**(1,040)**	(2)
Exchange translation differences	**64**	41
At 31 December	**42,454**	43,652

The Group's investment properties comprise:

	2013 HK$ millions	2012 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**17,303**	17,481
Medium leasehold (less than 50 years but not less than 10 years)	**23,347**	25,010
Outside Hong Kong		
Freehold	**708**	109
Medium leasehold	**1,096**	1,052
	42,454	43,652

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:

	2013 HK$ millions	2012 HK$ millions
Within 1 year	**2,975**	2,817
After 1 year, but within 5 years	**5,874**	4,874
After 5 years	**126**	20

(a) Fair value measurements

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2013				
Hong Kong	**–**	**268**	**40,382**	**40,650**
Outside Hong Kong	**–**	**–**	**1,804**	**1,804**
	–	**268**	**42,186**	**42,454**

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Investment properties have been fair valued as at 31 December 2013 by DTZ Debenham Tie Leung Limited, professional valuers. The fair value of the investment properties was determined based on, 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.

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

	2013 HK$ million
At 1 January 2013	**43,414**
Additions	**423**
Disposals	**(98)**
Relating to subsidiaries disposed	**(573)**
Change in fair value of investment properties	**(4)**
Transfer to fixed assets and leasehold land	**(1,040)**
Exchange translation differences	**64**
At 31 December 2013	**42,186**

14 Investment properties (continued)

(a) Fair value measurements (continued)

The valuations are derived using the income capitalisation method. This method is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	2013 Fair value HK$ million	Valuation techniques	Range of significant unobservable inputs	
			Rental rate	Capitalisation rate
Office properties in Hong Kong	27,979	Income capitalisation method	HK$17.9 per square foot ("psf") to HK$112.2 psf	4.75% to 6%
Commercial properties in Hong Kong	7,527	Income capitalisation method	HK$10.5 psf to HK$69.7 psf	6% to 9.75%
Residential properties in Hong Kong	937	Income capitalisation method	HK$24.8 psf to HK$50.5 psf	2.75% to 3.75%
Industrial properties in Hong Kong	3,939	Income capitalisation method	HK$2.7 psf to HK$17 psf	8% to 11.5%
Other properties outside Hong Kong	1,804	Income capitalisation method	HK$63.5 per square meter ("psm") to HK$281.6 psm	6% to 8.5%

For rental rate, the higher the rental rate, the higher the fair value will be. For capitalisation rate, the higher the capitalisation rate, the lower the fair value will be.

15 Leasehold land

	2013 HK$ millions	2012 HK$ millions
Net book value		
At 1 January	**9,495**	10,004
Additions	**532**	171
Amortisation for the year	**(454)**	(463)
Transfer from (to) other assets	**217**	(209)
Transfer to fixed assets and investment properties	**(56)**	(52)
Exchange translation differences	**115**	44
At 31 December	**9,849**	9,495

The Group's leasehold land comprises:

	2013 HK$ millions	2012 HK$ millions
Outside Hong Kong		
Long leasehold	**1,040**	1,035
Medium leasehold	**8,809**	8,460
	9,849	9,495

16 Telecommunications licences

	2013 HK$ millions	2012 HK$ millions
Net book value		
At 1 January	**78,655**	75,503
Additions	**6,828**	2,422
Relating to subsidiaries acquired	**440**	–
Amortisation for the year	**(774)**	(664)
Exchange translation differences	**1,427**	1,394
At 31 December	**86,576**	78,655
Cost	**114,999**	106,069
Accumulated amortisation and impairment	**(28,423)**	(27,414)
	86,576	78,655

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €3,192 million (2012 – €3,171 million) and £3,366 million (2012 – £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 2013 and 31 December 2012. 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 2013 and 31 December 2012 indicated no impairment charge was necessary.

17 Goodwill

	2013 HK$ millions	2012 HK$ millions
Cost		
At 1 January	**26,492**	26,338
Relating to subsidiaries acquired	**11,380**	–
Relating to subsidiaries disposed	**(161)**	–
Exchange translation differences	**317**	154
At 31 December	**38,028**	26,492

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2012 – €645 million), Kruidvat of €600 million (2012 – €600 million), The Perfume Shop of £140 million (2012 – £140 million), Superdrug of £78 million (2012 – £78 million), Orange Austria of €970 million (2012 – nil), **3** Italy of €275 million (2012 – €275 million), Hutchison Telecommunications Hong Kong Holdings of HK$3,754 million (2012 – HK$3,754 million) and Hutchison Asia Telecommunications of HK$892 million (2012 – HK$1,101 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 2013 and 31 December 2012. 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 2013 and 31 December 2012 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 2013	**1,954**	**13,374**	**15,328**
Additions	**–**	**105**	**105**
Relating to subsidiaries acquired	**132**	**4,376**	**4,508**
Impairment recognised for the year [(a)]	**–**	**(622)**	**(622)**
Disposal	**–**	**(43)**	**(43)**
Transfer from fixed assets	**–**	**22**	**22**
Amortisation for the year	**(13)**	**(763)**	**(776)**
Exchange translation differences	**56**	**177**	**233**
At 31 December 2013	**2,129**	**16,626**	**18,755**
Cost	**2,202**	**25,404**	**27,606**
Accumulated amortisation	**(73)**	**(8,778)**	**(8,851)**
	2,129	**16,626**	**18,755**

	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

(a) Mainly relates to restructuring of **3** Austria (see note 6(a)).

The brand names as at 31 December 2013 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 2013 and 31 December 2012 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, resource consents and customer lists are amortised over their finite useful lives.

19 Associated companies

	2013 HK$ millions	2012 HK$ millions
Unlisted shares	**3,744**	4,783
Listed shares, Hong Kong	**9,512**	9,512
Listed shares, outside Hong Kong	**34,617**	33,366
Share of undistributed post acquisition reserves	**56,951**	57,954
	104,824	105,615
Amounts due from associated companies	**7,234**	7,690
	112,058	113,305

The market value of the above listed investments at 31 December 2013 was HK$151,663 million (2012 – HK$147,344 million), inclusive of HK$81,864 million (2012 – HK$76,920 million) and HK$51,145 million (2012 – HK$54,754 million) for material associated companies, namely Husky Energy and Power Assets.

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

Set out below are additional information in respect of the Group's associated companies:

	Material associated companies		**Other associated companies**	**2013 Total**
	Husky Energy HK$ millions	**Power Assets HK$ millions**	**HK$ millions**	**HK$ millions**
Group's share of the following items of the associated companies *:				
Profits less losses after tax (before impairment charge)	**4,623**	**4,340**	**1,470**	**10,433**
Impairment charge	**(504)**	**–**	**–**	**(504)**
Other comprehensive income (losses)	**(3,197)**	**206**	**(246)**	**(3,237)**
Total comprehensive income	**922**	**4,546**	**1,224**	**6,692**

	Material associated companies		Other associated companies	2012 Total
	Husky Energy HK$ millions	Power Assets HK$ millions	HK$ millions	HK$ millions
Group's share of the following items of the associated companies *:				
Profits less losses after tax	4,777	3,782	1,999	10,558
Other comprehensive income	1,445	149	178	1,772
Total comprehensive income	6,222	3,931	2,177	12,330

19 Associated companies (continued)

	2013		2012	
	Husky Energy HK$ millions	**Power Assets HK$ millions**	Husky Energy HK$ millions	Power Assets HK$ millions
Dividends received from associated companies	**3,092**	**2,057**	3,047	1,925
Gross amount of the following items of the associated companies *:				
Total revenue	**175,008**	**10,222**	173,117	10,412
EBITDA	**43,481**	**20,121**	43,874	19,287
EBIT	**21,207**	**15,115**	21,892	14,678
Other comprehensive income (losses)	**(9,481)**	**530**	4,245	384
Total comprehensive income	**2,636**	**11,844**	18,329	10,383
Current assets	**35,747**	**10,494**	43,010	9,821
Non-current assets	**240,667**	**93,605**	242,927	90,537
Current liabilities	**30,265**	**4,952**	24,210	9,410
Non-current liabilities	**93,638**	**30,848**	102,957	29,201
Net assets (net of preferred shares)	**150,395**	**68,299**	156,491	61,747
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	**34%**	**39%**	34%	39%
Group's share of net assets	**51,104**	**26,548**	53,238	24,001
Amounts due from associated companies	**729**	**–**	785	–
Adjustment to cost of investment	**–**	**4,546**	–	4,546
Carrying amount	**51,833**	**31,094**	54,023	28,547

* after translation into Hong Kong dollars and consolidation adjustments

Particulars regarding the principal associated companies are set forth on pages 265 to 270.

20 Interests in joint ventures

	2013 HK$ millions	2012 HK$ millions
Joint ventures		
Unlisted shares	**66,769**	69,218
Share of undistributed post acquisition reserves	**20,559**	17,342
	87,328	86,560
Amounts due from joint ventures	**23,943**	22,390
	111,271	108,950

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

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2013 HK$ millions	2012 HK$ millions
Profits less losses after tax [(a)]	**12,597**	10,924
Other comprehensive income	**474**	1,495
Total comprehensive income	**13,071**	12,419
Capital commitments	**2,123**	1,730

(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. Consequently, HTAL's share of VHA's results for the year ended 31 December 2013 and the second half of 2012 is presented as a separate item under profits on disposal of investments and others (see note 6(c)) to separately identify it from the recurring earnings profile. Except for this, HTAL's share of VHA's past results is incorporated and formed part of the balances disclosed above.

Particulars regarding the principal joint ventures are set forth on pages 265 to 270.

21 Deferred tax

	2013 HK$ millions	2012 HK$ millions
Deferred tax assets	**18,548**	18,059
Deferred tax liabilities	**10,228**	8,968
Net deferred tax assets	**8,320**	9,091

Movements in net deferred tax assets are summarised as follows:

	2013 HK$ millions	2012 HK$ millions
At 1 January	**9,091**	8,097
Relating to subsidiaries acquired	**(271)**	–
Relating to subsidiaries disposed	**1**	(11)
Transfer to current tax	**(27)**	(224)
Net credit (charge) to other comprehensive income	**8**	(14)
Net credit (charge) to the income statement		
Unused tax losses	**(107)**	918
Accelerated depreciation allowances	**(104)**	(765)
Fair value adjustments arising from acquisitions	**140**	129
Withholding tax on undistributed earnings	**(65)**	(46)
Other temporary differences	**(433)**	440
Exchange translation differences	**87**	567
At 31 December	**8,320**	9,091

Analysis of net deferred tax assets (liabilities):

	2013 HK$ millions	2012 HK$ millions
Unused tax losses	**19,987**	19,425
Accelerated depreciation allowances	**(5,558)**	(5,120)
Fair value adjustments arising from acquisitions	**(3,920)**	(3,551)
Revaluation of investment properties and other investments	**(307)**	(260)
Withholding tax on undistributed earnings	**(302)**	(258)
Other temporary differences	**(1,580)**	(1,145)
	8,320	9,091

21 Deferred tax (continued)

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.

During the year, deferred tax assets of HK$1,586 million (2012 – HK$2,187 million) have been recognised for the losses of **3** Group Europe. At 31 December 2013, the Group has recognised accumulated deferred tax assets amounting to HK$18,548 million (2012 – HK$18,059 million) of which HK$17,265 million (2012 – HK$16,850 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$22,977 million at 31 December 2013 (2012 – HK$25,398 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$96,430 million (2012 – HK$112,174 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$73,534 million (2012 – HK$93,888 million) can be carried forward indefinitely and the balances expire in the following years:

	2013 HK$ millions	2012 HK$ millions
In the first year	**2,577**	1,562
In the second year	**3,193**	2,497
In the third year	**2,484**	3,057
In the fourth year	**5,350**	3,049
In the fifth to tenth years inclusive	**9,292**	8,121
	22,896	18,286

22 Other non-current assets

	2013 HK$ millions	2012 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**392**	391
Other receivables	**4,020**	3,887
	4,412	4,278
Available-for-sale investments		
Unlisted equity securities	**929**	930
Fair value hedges (see note 28(a))		
Interest rate swaps	**1,813**	2,844
Cross currency interest rate swaps	**738**	1,527
Cash flow hedges (see note 28(a))		
Interest rate swaps	**42**	–
	7,934	9,579

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 2013 is 1.9% (2012 - 2.0%).

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

23 Liquid funds and other listed investments

	2013 HK$ millions	2012 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**4,522**	10,541
Listed / traded debt securities, outside Hong Kong	**3,725**	3,834
Listed equity securities, Hong Kong	**2,130**	2,165
Listed equity securities, outside Hong Kong	**6,422**	6,498
	16,799	23,038
Loans and receivables		
Long term deposits	**36**	39
Financial assets at fair value through profit or loss	**301**	422
	17,136	23,499

23 Liquid funds and other listed investments (continued)

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

	2013 HK$ millions	2012 HK$ millions
Listed debt securities	**4,488**	10,486
Cash and cash equivalents	**34**	55
	4,522	10,541

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 2013 was HK$17,100 million (2012 – HK$23,460 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 2013 was 2.1% (2012 – 3.0%).

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

	2013			2012		
	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	**13%**	**–**	**–**	9%	–	–
US dollars	**35%**	**–**	**83%**	61%	–	59%
Other currencies	**52%**	**100%**	**17%**	30%	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:

	2013 Percentage	2012 Percentage
Credit ratings		
Aaa / AAA	**24%**	25%
Aa1 / AA+	**31%**	47%
Aa2 / AA	**4%**	4%
Aa3 / AA-	**1%**	1%
A2 / A	**1%**	1%
Other investment grades	**11%**	6%
Unrated	**28%**	16%
	100%	100%
Sectorial		
US Treasury notes	**26%**	47%
Government and government guaranteed notes	**32%**	17%
Supranational notes	**–**	12%
Husky Energy Inc notes	**11%**	6%
Financial institutions notes	**3%**	2%
Others	**28%**	16%
	100%	100%
Weighted average maturity	**3.1 years**	1.3 years
Weighted average effective yield	**1.90%**	1.80%

24 Cash and cash equivalents

	2013 HK$ millions	2012 HK$ millions
Cash at bank and in hand	**24,149**	25,697
Short term bank deposits	**61,502**	82,251
	85,651	107,948

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

25 Trade and other receivables

	2013 HK$ millions	2012 HK$ millions
Trade receivables [a]	**24,991**	23,953
Less: provision for estimated impairment losses for bad debts [b]	**(4,296)**	(4,307)
Trade receivables – net	**20,695**	19,646
Other receivables and prepayments	**48,231**	41,979
Fair value hedges (see note 28(a))		
Interest rate swaps	**–**	116
Cross currency interest rate swaps	**76**	–
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**81**	47
	69,083	61,788

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. The carrying amount of these assets approximates their fair value.

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. 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 4% of the Group's turnover for the year ended 31 December 2013 (2012 – less than 5%).

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

	2013 HK$ millions	2012 HK$ millions
Less than 31 days	**13,571**	13,089
Within 31 to 60 days	**2,091**	1,689
Within 61 to 90 days	**870**	795
Over 90 days	**8,459**	8,380
	24,991	23,953

25 Trade and other receivables (continued)

(b) As at 31 December 2013, out of the trade receivables of HK$24,991 million (2012 – HK$23,953 million), HK$13,956 million (2012 – HK$14,279 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$4,296 million (2012 – HK$4,307 million). The ageing analysis of these trade receivables is as follows:

	2013 HK$ millions	2012 HK$ millions
Not past due	**5,632**	6,587
Past due less than 31 days	**1,108**	915
Past due within 31 to 60 days	**420**	393
Past due within 61 to 90 days	**471**	458
Past due over 90 days	**6,325**	5,926
	13,956	14,279

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

	2013 HK$ millions	2012 HK$ millions
At 1 January	**4,307**	6,048
Additions	**1,365**	830
Utilisations	**(1,123)**	(2,695)
Write back	**(30)**	(21)
Exchange translation differences	**(223)**	145
At 31 December	**4,296**	4,307

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

	2013 HK$ millions	2012 HK$ millions
Not past due	**6,293**	5,022
Past due less than 31 days	**2,077**	2,024
Past due within 31 to 60 days	**602**	509
Past due within 61 to 90 days	**400**	263
Past due over 90 days	**1,663**	1,856
	11,035	9,674

26 Trade and other payables

	2013 HK$ millions	2012 HK$ millions
Trade payables [a]	**22,309**	20,742
Other payables and accruals	**61,901**	55,932
Provisions (see note 27)	**928**	1,120
Interest free loans from non-controlling shareholders	**1,181**	476
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**493**	201
	86,812	78,471

The Group's five largest suppliers accounted for less than 29% of the Group's cost of purchases for the year ended 31 December 2013 (2012 – less than 30%).

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

	2013 HK$ millions	2012 HK$ millions
Less than 31 days	**15,176**	13,842
Within 31 to 60 days	**3,221**	3,196
Within 61 to 90 days	**1,607**	1,457
Over 90 days	**2,305**	2,247
	22,309	20,742

27 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement obligation HK$ millions	Others HK$ millions	Total HK$ millions
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 1 January 2013	**648**	**741**	**450**	**1,839**
Additions	**14**	**46**	**112**	**172**
Relating to subsidiaries acquired	**–**	**292**	**–**	**292**
Interest accretion	**19**	**38**	**–**	**57**
Utilisations	**(177)**	**–**	**(80)**	**(257)**
Write back	**(6)**	**(96)**	**(83)**	**(185)**
Exchange translation differences	**9**	**9**	**13**	**31**
At 31 December 2013	**507**	**1,030**	**412**	**1,949**

27 Provisions (continued)

Provisions are analysed as:

	2013 HK$ millions	2012 HK$ millions
Current portion (see note 26)	**928**	1,120
Non-current portion (see note 31)	**1,021**	719
	1,949	1,839

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:

	2013			2012		
	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	**7,646**	**57,886**	**65,532**	4,892	60,083	64,975
Other loans	**295**	**429**	**724**	124	411	535
Notes and bonds	**10,206**	**147,360**	**157,566**	34,487	156,155	190,642
Total principal amount of bank and other debts	**18,147**	**205,675**	**223,822**	39,503	216,649	256,152
Unamortised loan facilities fees and premiums or discounts related to debts	**(64)**	**(686)**	**(750)**	(23)	(580)	(603)
Unrealised gain on bank and other debts pursuant to interest rate swap contracts [(a)]	**76**	**2,206**	**2,282**	116	4,371	4,487
	18,159	**207,195**	**225,354**	39,596	220,440	260,036

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2013			2012		
	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	7,646	56,871	64,517	4,890	59,521	64,411
Not wholly repayable within 5 years	–	1,015	1,015	2	562	564
	7,646	57,886	65,532	4,892	60,083	64,975
Other loans						
Repayable within 5 years	268	78	346	69	59	128
Not wholly repayable within 5 years	27	351	378	55	352	407
	295	429	724	124	411	535
Notes and bonds						
HK$260 million notes, 4% due 2027	–	260	260	–	260	260
US$3,110 million notes, 6.5% due 2013	–	–	–	24,257	–	24,257
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	–	7,800	7,800
US$1,000 million notes, 3.5% due 2017	–	7,800	7,800	–	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$1,480 million (2012: US$1,488 million) notes, 4.625% due 2022	–	11,544	11,544	–	11,606	11,606
US$500 million notes, 3.25% due 2022	–	3,900	3,900	–	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
EUR603 million notes, 4.125% due 2015	–	6,378	6,378	–	6,167	6,167
EUR669 million notes, 4.625% due 2016	–	7,079	7,079	–	6,845	6,845
EUR1,750 million notes, 4.75% due 2016	–	18,515	18,515	–	17,902	17,902
EUR1,250 million notes, 2.5% due 2017	–	13,225	13,225	–	12,788	12,788
EUR750 million notes, 3.625% due 2022	–	7,935	7,935	–	7,673	7,673
GBP325 million bonds, 6.75% due 2015	–	4,124	4,124	–	4,092	4,092
GBP113 million bonds, 5.625% due 2017	–	1,435	1,435	–	1,423	1,423
GBP303 million bonds, 5.625% due 2026	–	3,845	3,845	–	3,814	3,814
JPY3,000 million notes, 1.75% due 2019	–	226	226	–	286	286
JPY15,000 million notes, 2.6% due 2027	–	1,130	1,130	–	1,429	1,429
	10,206	147,360	157,566	34,487	156,155	190,642
	18,147	205,675	223,822	39,503	216,649	256,152

28 Bank and other debts (continued)

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

	2013			2012		
	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	**7,646**	**–**	**7,646**	4,892	–	4,892
After 1 year, but within 2 years	**–**	**39,423**	**39,423**	–	6,943	6,943
After 2 years, but within 5 years	**–**	**17,448**	**17,448**	–	52,591	52,591
After 5 years	**–**	**1,015**	**1,015**	–	549	549
	7,646	**57,886**	**65,532**	4,892	60,083	64,975
Other loans						
Current portion	**295**	**–**	**295**	124	–	124
After 1 year, but within 2 years	**–**	**71**	**71**	–	60	60
After 2 years, but within 5 years	**–**	**131**	**131**	–	119	119
After 5 years	**–**	**227**	**227**	–	232	232
	295	**429**	**724**	124	411	535
Notes and bonds						
Current portion	**10,206**	**–**	**10,206**	34,487	–	34,487
After 1 year, but within 2 years	**–**	**27,579**	**27,579**	–	10,206	10,206
After 2 years, but within 5 years	**–**	**59,754**	**59,754**	–	85,794	85,794
After 5 years	**–**	**60,027**	**60,027**	–	60,155	60,155
	10,206	**147,360**	**157,566**	34,487	156,155	190,642
	18,147	**205,675**	**223,822**	39,503	216,649	256,152

The bank and other debts of the Group as at 31 December 2013 are secured to the extent of HK$1,940 million (2012 – HK$821 million).

Borrowings with principal amount of HK$64,789 million (2012 – HK$64,508 million) bear interest at floating interest rates and borrowings with principal amount of HK$159,033 million (2012 – HK$191,644 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

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

	2013 Percentage	2012 Percentage
Euro	**33%**	32%
US dollars	**31%**	36%
HK dollars	**22%**	20%
British Pounds	**7%**	6%
Other currencies	**7%**	6%
	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 2013, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$62,708 million (2012 – HK$74,966 million).

In addition, interest rate swap agreements with notional amount of HK$6,540 million (2012 – HK$7,900 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 2013, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2012 – 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:

	2013			2012		
	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)	–	1,813	1,813	116	2,844	2,960
Cross currency interest rate swaps (see notes 22 and 25)	76	738	814	–	1,527	1,527
	76	2,551	2,627	116	4,371	4,487
Derivative financial liabilities						
Interest rate swaps (see note 31)	–	(345)	(345)	–	–	–
	–	(345)	(345)	–	–	–
	76	2,206	2,282	116	4,371	4,487
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	–	42	42	–	–	–
Forward foreign exchange contracts (see note 25)	81	–	81	47	–	47
	81	42	123	47	–	47
Derivative financial liabilities						
Interest rate swaps (see note 31)	–	(163)	(163)	–	(249)	(249)
Forward foreign exchange contracts (see notes 26 and 31)	(493)	(253)	(746)	(201)	(238)	(439)
	(493)	(416)	(909)	(201)	(487)	(688)
	(412)	(374)	(786)	(154)	(487)	(641)

29 Interest bearing loans from non-controlling shareholders

	2013 HK$ millions	2012 HK$ millions
Interest bearing loans from non-controlling shareholders	5,445	6,307

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	2013 HK$ millions	2012 HK$ millions
Defined benefit assets	**–**	–
Defined benefit liabilities	**3,095**	3,616
Net defined benefit liabilities	**3,095**	3,616

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 2013 and 31 December 2012 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:

	2013	2012
Discount rates	**1.5%-4.7%**	0.4%-5.0%
Future salary increases	**0.5%-4.0%**	2.0%-4.0%
Interest credited on two principal plans in Hong Kong	**5.0%-6.0%**	5.0%-6.0%

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

	2013 HK$ millions	2012 HK$ millions
Present value of defined benefit obligations	**17,391**	16,325
Fair value of plan assets	**14,300**	13,038
	3,091	3,287
Restrictions on asset recognised	**4**	329
Net defined benefit liabilities	**3,095**	3,616

30 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK$ millions	Fair value of plan assets HK$ millions	Asset ceiling HK$ millions	Net defined benefit liabilities HK$ millions
At 1 January 2013	16,325	(13,038)	329	3,616
Net charge (credit) to the income statement				
Current service cost	554	19	–	573
Past service cost and gains and losses on settlements	(4)	–	–	(4)
Interest cost (income)	430	(351)	–	79
	17,305	(13,370)	329	4,264
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	19	–	–	19
Actuarial gain arising from change in financial assumptions	(106)	–	–	(106)
Actuarial loss arising from experience adjustment	81	–	–	81
Return on plan assets excluding interest income	–	(335)	–	(335)
Change in asset ceiling	–	–	(325)	(325)
Exchange translation differences	534	(517)	–	17
	528	(852)	(325)	(649)
Contributions paid by the employer	–	(549)	–	(549)
Contributions paid by the employee	110	(110)	–	–
Benefits paid	(581)	581	–	–
Relating to subsidiaries acquired	57	–	–	57
Transfer to other liabilities	(28)	–	–	(28)
At 31 December 2013	17,391	(14,300)	4	3,095

30 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK$ millions	Fair value of plan assets HK$ millions	Asset ceiling HK$ millions	Net defined benefit liabilities HK$ millions
At 1 January 2012	13,500	(11,373)	914	3,041
Net charge (credit) to the income statement				
Current service cost	485	2	–	487
Past service cost and gains and losses on settlements	14	–	–	14
Interest cost (income)	539	(420)	–	119
	14,538	(11,791)	914	3,661
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	2	–	–	2
Actuarial loss arising from change in financial assumptions	2,179	–	–	2,179
Actuarial gain arising from experience adjustment	(26)	–	–	(26)
Return on plan assets excluding interest income	–	(984)	–	(984)
Change in asset ceiling	–	–	(585)	(585)
Exchange translation differences	153	(124)	–	29
	2,308	(1,108)	(585)	615
Contributions paid by the employer	–	(640)	–	(640)
Contributions paid by the employee	115	(115)	–	–
Benefits paid	(616)	616	–	–
Transfer to other liabilities	(20)	–	–	(20)
At 31 December 2012	16,325	(13,038)	329	3,616

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 2013. 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 2013 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$19 million (2012 – HK$19 million) were used to reduce the current year's level of contributions and HK$2 million was available at 31 December 2013 (2012 – HK$2 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 is not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2012. 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 75%. The sponsoring employer has made additional cash contributions totalling £4 million in 2013 (2012 – £4 million), and will make further additional contributions of £3.7 million per annum from 1 January 2014 to 30 November 2016 towards the shortfall being corrected by 30 November 2016, assuming the market conditions as at 31 March 2012 remain unchanged. The main assumptions in the valuation are an investment return of 4.1% to 5.7% per annum and pensionable salary increases of 2.0% to 3.2% per annum. The valuation was performed by David Lindsay, a Fellow of the Institute and Faculty of Actuaries, of Aon Hewitt Limited.

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2013 Percentage	2012 Percentage
Equity instruments		
Consumer markets and manufacturing	**10%**	11%
Energy and utilities	**4%**	4%
Financial institutions and insurance	**8%**	8%
Telecommunications and information technology	**4%**	4%
Units trust and equity instrument funds	**10%**	9%
Others	**11%**	10%
	47%	46%
Debt instruments		
US Treasury notes	**1%**	1%
Government and government guaranteed notes	**8%**	9%
Financial institutions notes	**3%**	2%
Others	**6%**	13%
	18%	25%
Qualifying insurance policies	**28%**	15%
Properties	**3%**	3%
Other assets	**4%**	11%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2013 Percentage	2012 Percentage
Aaa / AAA	**44%**	41%
Aa1 / AA+	**5%**	20%
Aa2 / AA	**6%**	3%
Aa3 / AA-	**1%**	1%
A1 / A+	**1%**	1%
A2 / A	**12%**	15%
Other investment grades	**18%**	15%
Unrated	**13%**	4%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK$14,300 million (2012 – HK$13,038 million) includes investments in the Company's shares with a fair value of HK$97 million (2012 – HK$61 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2013 is 17 years (2012 – 15 years).

The Group expects to make contributions of HK$639 million (2012 – HK$591 million) to the defined benefit plans during the next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), 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 actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present an projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.1% or increase by 3.2% respectively.

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.4% respectively.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$1,134 million (2012 – HK$964 million) which has been charged to the profit or loss for the year. No forfeited contributions (2012 – nil) were used to reduce the current year's level of contributions and forfeited contribution of HK$2 million was available at 31 December 2013 (2012 – HK$2 million) to reduce future years' contributions.

31 Other non-current liabilities

	2013 HK$ millions	2012 HK$ millions
Fair value hedges (see note 28(a))		
Interest rate swaps	**345**	–
Cash flow hedges (see note 28(a))		
Interest rate swaps	**163**	249
Forward foreign exchange contracts	**253**	238
Obligations for telecommunications licences and other rights	**3,255**	3,870
Provisions (see note 27)	**1,021**	719
	5,037	5,076

32 Share capital and capital management

(a) Share capital

	2013 Number of shares	2012 Number of shares	2013 HK$ millions	2012 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

(b) Perpetual capital securities

In October 2010, May 2012 and May 2013, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US$2,000 million (approximately HK$15,600 million), US$1,000 million (approximately HK$7,800 million) and €1,750 million (approximately HK$17,879 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.

During the year ended 31 December 2013, the Group had repurchased US$217 million (approximately HK$1,692 million) nominal amount of perpetual capital securities that were originally issued in October 2010.

32 Share capital and capital management (continued)

(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 2013, total equity amounted to HK$476,232 million (2012 – HK$438,541 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$121,035 million (2012 – HK$124,705 million). The Group's net debt to net total capital ratio decreased to 20.0% from 21.9% 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

	2013	2012
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**20.0%**	21.9%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**18.2%**	19.3%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**20.9%**	23.0%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**19.0%**	20.3%

(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.

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

	2013 HK$ millions	2012 HK$ millions
Profit after tax	**38,893**	32,107
Less: share of profits less losses after tax of		
Associated companies	**(10,433)**	(10,558)
Joint ventures	**(12,597)**	(10,924)
	15,863	10,625
Adjustments for:		
Current tax charge	**4,231**	3,079
Deferred tax charge (credit)	**569**	(676)
Interest expenses and other finance costs	**8,391**	9,243
Change in fair value of investment properties	**(26)**	(790)
Depreciation and amortisation	**15,850**	14,149
Others (see note 6)	**2,163**	2,052
Non-cash items (see note 33(e))	**–**	(447)
EBITDA of Company and subsidiaries (i)	**47,041**	37,235
Loss (profit) on disposal of other unlisted investments	**82**	(67)
Loss (profit) on disposal of fixed assets, leasehold land and investment properties and other assets	**(4,109)**	383
Dividends received from associated companies and joint ventures	**14,906**	8,740
Distribution from property joint ventures	**4,928**	1,812
Profit on disposal of subsidiary companies and joint ventures	**(1,783)**	(393)
Profit on partial disposal of an associated company	**(1,320)**	–
Other non-cash items	**1,153**	(768)
	60,898	46,942

(i) Reconciliation of EBITDA:

	2013 HK$ millions	2012 HK$ millions
EBITDA of Company and subsidiaries	**47,041**	37,235
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses after tax:		
Associated companies	**10,433**	10,558
Joint ventures	**12,597**	10,924
Adjustment for:		
Depreciation and amortisation	**15,421**	15,834
Change in fair value of investment properties	**(2)**	(377)
Interest expenses and other finance costs	**5,768**	7,116
Current tax charge	**6,741**	5,564
Deferred tax charge (credit)	**(192)**	731
Non-controlling interests	**363**	362
	51,129	50,712
EBITDA (see notes 5(b) and 5(m))	**98,170**	87,947

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2013 HK$ millions	2012 HK$ millions
Increase in inventories	(1,100)	(1,147)
Increase in debtors and prepayments	(6,484)	(661)
Increase (decrease) in creditors	4,726	(1,368)
Other non-cash items	(1,480)	334
	(4,338)	(2,842)

(c) Purchase of subsidiary companies

As disclosed in the 2012 annual accounts, on 4 January 2013, **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. As a result of the acquisition, the Group has increased its market share of the Austrian mobile telecommunications services. The Group expects synergies and other benefits from combining the infrastructure and operations of Orange Austria with **3** Austria, and costs savings through economies of scale.

The following table summarises the consideration paid for Orange Austria and other acquisitions completed in the current year, and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition date.

	2013			2012
	Orange Austria HK$ millions	Others HK$ millions	Total HK$ millions	Total HK$ millions
Fair Value				
Fixed assets	1,028	662	1,690	–
Telecommunications licences	440	–	440	–
Brand names and other rights	2,512	1,996	4,508	–
Interests in joint ventures	–	139	139	–
Deferred tax assets	285	–	285	–
Liquid funds and other listed investments	–	6	6	–
Trade and other receivables	805	184	989	–
Inventories	975	5	980	–
Creditors and current tax liabilities	(1,655)	(189)	(1,844)	–
Bank and other debts	(231)	(76)	(307)	–
Deferred tax liabilities	–	(556)	(556)	–
Pension obligations	(57)	–	(57)	–
Non-controlling interests	–	(2)	(2)	–
	4,102	2,169	6,271	–
Goodwill arising on acquisition	10,326	1,054	11,380	–
Discharged by cash payment	14,428	3,223	17,651	–
Net cash outflow (inflow) arising from acquisition:				
Cash payment	15,942	3,227	19,169	–
Cash and cash equivalents acquired	(1,514)	(4)	(1,518)	–
Total net cash paid	14,428	3,223	17,651	–

33 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies (continued)

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level. No fair value adjustments arising from acquisitions are recognised at the underlying companies' separate financial statements. Goodwill arising on these acquisitions is recorded at the consolidation level and is not expected to be deductible for tax purposes. As additional information, the amount deductible for tax purposes (i.e. tax base) of the identifiable assets acquired and liabilities assumed relating to the acquisition of Orange Austria are different from and, in general, greater than the amount shown above.

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

Acquisition related costs of approximately HK$200 million has been charged to income statement during the year and included in the line item titled profits on disposal of investments and others.

(d) Disposal of subsidiary companies

	2013 HK$ millions	2012 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**1**	100
Investment properties	**573**	–
Goodwill	**161**	–
Interests in joint ventures	**854**	–
Deferred tax assets	**–**	11
Trade and other receivables	**18**	399
Inventories	**26**	–
Creditors and current tax liabilities	**(31)**	(266)
Deferred tax liabilities	**(1)**	–
Reserves	**(124)**	69
	1,477	313
Profit on disposal *	**1,672**	378
	3,149	691
Less: Investments retained subsequent to disposal	**–**	–
	3,149	691
Satisfied by:		
Cash and cash equivalents received as consideration	**3,161**	857
Less: Cash and cash equivalents sold	**(12)**	(166)
Total net cash consideration	**3,149**	691

* The profit on disposal for the years ended 31 December 2013 and 2012 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed is not material for the years ended 31 December 2013 and 2012.

(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.

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 2013, assets of the Group totalling HK$2,299 million (2012 – HK$824 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2013, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures of HK$24,610 million (2012 – HK$11,920 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2013 HK$ millions	2012 HK$ millions
To associated companies		
Other businesses	**1,973**	1,815
To joint ventures		
Property businesses	**868**	1,285
Other businesses	**19,998**	7,385
	20,866	8,670

At 31 December 2013, the Group had provided performance and other guarantees of HK$4,131 million (2012 – HK$4,411 million).

37 Commitments

On 24 June 2013, Hutchison 3G Ireland, a wholly owned subsidiary of the Group, announced that it has entered into an agreement with Telefonica to buy its O_2 business in Ireland for €780 million (approximately HK$7,925 million). A further additional deferred payment of €70 million (approximately HK$711 million) is payable dependent upon achievement of agreed financial target. The completion of this transaction is subject to competition approval by the relevant regulatory authority.

Other than the aforementioned commitments, outstanding Group commitments not provided for in the accounts at 31 December 2013 are as follows:

Capital commitments

(a) Contracted for:
- (i) Ports and related services – HK$1,111 million (2012 – HK$1,632 million)
- (ii) **3** Group Europe – HK$630 million (2012 – HK$579 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$17,102 million (2012 – HK$12,627 million)
- (iv) Investment properties, Hong Kong – HK$3 million (2012 – HK$38 million)
- (v) Other fixed assets – HK$387 million (2012 – HK$402 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$3,713 million (2012 – HK$4,963 million)
- (ii) **3** Group Europe – HK$10,265 million (2012 – HK$12,785 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$2,646 million (2012 – HK$3,397 million)
- (iv) Investment properties, Hong Kong – HK$1,522 million (2012 – HK$1,162 million)
- (v) Investment in joint ventures, Hong Kong – HK$175 million (2012 – HK$257 million)
- (vi) Investment in joint ventures outside Hong Kong – HK$401 million (2012 – HK$1,186 million)
- (vii) Other fixed assets – HK$4,870 million (2012 – HK$4,887 million)

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

(a) In the first year – HK$11,953 million (2012 – HK$11,697 million)
(b) In the second to fifth years inclusive – HK$22,228 million (2012 – HK$23,934 million)
(c) After the fifth year – HK$38,894 million (2012 – HK$42,670 million)

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

(a) In the first year – HK$1,612 million (2012 – HK$1,753 million)
(b) In the second to fifth years inclusive – HK$4,782 million (2012 – HK$5,517 million)
(c) After the fifth year – HK$2,069 million (2012 – HK$3,504 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 joint ventures as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$20,451 million (2012 – HK$20,091 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 2013 and 2012, 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 2013, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$38,221 million (2012 – HK$42,012 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$4,105 million (2012 – HK$4,054 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 2013, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

40 Subsequent events

Subsequent to year end, a listed associate of the Group, Power Assets Holdings Limited ("PAH") completed a separate listing of its business of generating, transmitting, distributing and supplying electricity in Hong Kong by way of the listing of the Share Stapled Units jointly issued by HK Electric Investments and HK Electric Investments Limited (the "HKEI Group") on the Main Board of The Stock Exchange of Hong Kong Limited. PAH currently retains a 49.9% interest in the HKEI Group. The market capitalisation of the HKEI Group at listing was approximately HK$48.2 billion. PAH expects to report a gain on disposal of approximately HK$52 billion in its 2014 interim results. The Company's attributable share of the gain is approximately HK$16 billion and will be included in the Group's 2014 consolidated interim results.

41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2013, 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 158 to 270 were approved and authorised for issue by the Board of Directors on 28 February 2014.

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:

	2013 HK$ millions	2012 HK$ millions
Credits:		
Share of profits less losses of associated companies (including share of impairment loss of an associated company of HK$504 million)		
Listed	9,055	9,130
Unlisted	874	1,428
	9,929	10,558
Share of gross rental income of associated companies and joint ventures	528	462
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	84	83
Other subsidiaries (excluding HHR)	3,731	3,343
Less: intra group rental income	(408)	(367)
	3,407	3,059
Less: related outgoings	(106)	(86)
Net rental income of subsidiary companies	3,301	2,973
Dividend and interest income from managed funds and other investments		
Listed	564	552
Unlisted	35	57
Charges:		
Depreciation and amortisation		
Fixed assets	13,846	12,789
Leasehold land	454	463
Telecommunications licences	774	664
Brand names and other rights	776	233
	15,850	14,149
Inventories write-off	933	998
Operating leases		
Properties	18,262	16,879
Hire of plant and machinery	2,323	2,411
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	193	189
– other auditors	12	14
Non-audit work – PricewaterhouseCoopers	44	36
– other auditors	30	22

44 Financial risk management

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

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which 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 solid and healthy financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$102,787 million at 31 December 2013, a decrease of 22% from the balance of HK$131,447 million at 31 December 2012, mainly reflecting the utilisation of cash for the repayment and early repayment of certain borrowings, the repurchase of US$217 million (approximately HK$1,692 million) nominal amount of perpetual capital securities issued in 2010, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, acquisition of new investments, including the acquisition of Orange Austria and Enviro Waste in New Zealand, of HK$17,651 million, and acquisition of fixed assets and telecommunications licences totalling HK$30,493 million, net of the cash arising from positive funds from operations from the Group's businesses, cash from new borrowings and proceeds from the issue of €1,750 million perpetual capital securities during the year. Liquid assets were denominated as to 21% in HK dollars, 33% in US dollars, 15% in Renminbi, 10% in Euro, 6% in British Pounds and 15% in other currencies (2012 - 8% were denominated in HK dollars, 53% in US dollars, 14% in Renminbi, 8% in Euro, 4% in British Pounds and 13% in other currencies).

Cash and cash equivalents represented 84% (2012 - 82%) of the liquid assets, US Treasury notes and listed / traded debt securities 8% (2012 - 11%) and listed equity securities 8% (2012 - 7%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 26% (2012 - 47%), government and government guaranteed notes of 32% (2012 - 17%), supranational notes of 0% (2012 - 12%), notes issued by the Group's associated company, Husky Energy Inc of 11% (2012 - 6%), notes issued by financial institutions of 3% (2012 - 2%), and others of 28% (2012 - 16%). Of these US Treasury notes and listed / traded debt securities, 55% (2012 - 72%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 3.1 years (2012 - 1.3 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 2013, approximately 29% (2012 – approximately 25%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 71% (2012 – approximately 75%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$62,708 million (2012 – approximately HK$74,966 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$6,540 million (2012 – HK$7,900 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 54% (2012 – approximately 51%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 46% (2012 – approximately 49%) were at fixed rates at 31 December 2013. 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 losses of approximately HK$5,130 million (2012 – gains of HK$5,077 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 joint ventures. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2013, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2012 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in Euro, 31% in US dollars, 22% in HK dollars, 7% in British Pounds and 7% in other currencies (2012 – 32% in Euro, 36% in US dollars, 20% in HK dollars, 6% in British Pounds and 6% 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 and credit ratings as well as 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 16% (2012 – approximately 18%) 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 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.

(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$399 million (2012 – HK$240 million) due to increase in interest expense;
– total equity would decrease by HK$399 million (2012 – HK$240 million) due to increase in interest expense; and
– total equity would increase by HK$76 million (2012 – HK$292 million) mainly due to increase in fair value of interest rate swaps.

(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.

	2013		2012	
	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	**115**	**112**	73	73
British Pounds	**242**	**(2,203)**	149	(2,247)
Australian dollars	**133**	**(255)**	163	(125)
Renminbi	**13**	**35**	9	47
US dollars	**986**	**986**	1,507	1,507
Japanese Yen	**(227)**	**(205)**	(287)	(288)

(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$30 million (2012 – HK$42 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$30 million (2012 – 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$1,680 million (2012 – HK$2,304 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

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 2013						
Trade payables	22,309	–	–	22,309	–	22,309
Other payables and accruals	61,901	–	–	61,901	–	61,901
Interest free loans from non-controlling shareholders	1,181	–	–	1,181	–	1,181
Bank loans	7,646	56,871	1,015	65,532	(176)	65,356
Other loans	295	202	227	724	(2)	722
Notes and bonds	10,206	87,333	60,027	157,566	1,710	159,276
Interest bearing loans from non-controlling shareholders	–	5,212	233	5,445	–	5,445
Obligations for telecommunications licences and other rights	915	2,208	814	3,937	(682)	3,255
Fair value hedges – Interest rate swaps (net settled)	(144)	(35)	510	331	14	345
	104,309	151,791	62,826	318,926	864	319,790

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$8,243 million in "within 1 year" maturity band, HK$21,129 million in "after 1 year, but within 5 years" maturity band, and HK$17,743 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 2013				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(229)	(501)	(402)	(1,132)
Cash flow hedges – forward foreign exchange contracts				
Inflow	20,824	5,992	–	26,816
Outflow	(21,092)	(6,218)	–	(27,310)

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 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)

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

	2013 HK$ millions	2012 HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**(128)**	1
Gains (losses) arising on derivatives in a designated fair value hedge	**(2,247)**	65
Gains (losses) arising on adjustment for hedged item in a designated fair value hedge	**2,247**	(65)
Interest income on available-for-sale financial assets	**298**	352

44 Financial risk management (continued)

(i) Carrying amounts and fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	2013		2012	
	Carrying amount HK$ millions	**Fair value HK$ millions**	Carrying amount HK$ millions	Fair value HK$ millions
Financial assets				
Loans and receivables *				
Trade receivables (see note 25)	**20,695**	**20,695**	19,646	19,646
Other receivables and prepayments (see note 25)	**48,231**	**48,231**	41,979	41,979
Unlisted debt securities (see note 22)	**392**	**392**	391	391
Other receivables (see note 22)	**4,020**	**4,020**	3,887	3,887
Long term deposits (see note 23)	**36**	**36**	39	39
	73,374	**73,374**	65,942	65,942
Available-for-sale investments #				
Unlisted equity securities (see note 22)	**929**	**929**	930	930
Managed funds, outside Hong Kong (see note 23)	**4,522**	**4,522**	10,541	10,541
Listed / traded debt securities, outside Hong Kong (see note 23)	**3,725**	**3,725**	3,834	3,834
Listed equity securities, Hong Kong (see note 23)	**2,130**	**2,130**	2,165	2,165
Listed equity securities, outside Hong Kong (see note 23)	**6,422**	**6,422**	6,498	6,498
Financial assets at fair value through profit or loss # (see note 23)	**301**	**301**	422	422
	18,029	**18,029**	24,390	24,390
Fair value hedges #				
Interest rate swaps (see notes 22 and 25)	**1,813**	**1,813**	2,960	2,960
Cross currency interest rate swaps (see notes 22 and 25)	**814**	**814**	1,527	1,527
Cash flow hedges #				
Interest rate swaps (see note 22)	**42**	**42**	–	–
Forward foreign exchange contracts (see note 25)	**81**	**81**	47	47
	2,750	**2,750**	4,534	4,534
	94,153	**94,153**	94,866	94,866

44 Financial risk management (continued)

(i) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2013		2012	
	Carrying amount HK$ millions	**Fair value HK$ millions**	Carrying amount HK$ millions	Fair value HK$ millions
Financial liabilities				
Financial liabilities *				
Trade payables (see note 26)	**22,309**	**22,309**	20,742	20,742
Other payables and accruals (see note 26)	**61,901**	**61,901**	55,932	55,932
Interest free loans from non-controlling shareholders (see note 26)	**1,181**	**1,181**	476	476
Bank and other debts (see note 28)	**225,354**	**236,743**	260,036	277,360
Interest bearing loans from non-controlling shareholders (see note 29)	**5,445**	**5,445**	6,307	6,307
Obligations for telecommunications licences and other rights (see note 31)	**3,255**	**3,255**	3,870	3,870
	319,445	**330,834**	347,363	364,687
Fair value hedges #				
Interest rate swaps (see note 31)	**345**	**345**	–	–
Cash flow hedges #				
Interest rate swaps (see note 31)	**163**	**163**	249	249
Forward foreign exchange contracts (see notes 26 and 31)	**746**	**746**	439	439
	1,254	**1,254**	688	688
	320,699	**332,088**	348,051	365,375

* carried at amortised costs (see note 44(j)(ii) below)

\# carried at fair value (see note 44(j)(i) below)

44 Financial risk management (continued)

(j) Fair value measurements

(i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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).

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2013				
Financial assets (liabilities) measured at fair value				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	929	929
Managed funds, outside Hong Kong (see note 23)	4,522	–	–	4,522
Listed / traded debt securities, outside Hong Kong (see note 23)	1,416	2,309	–	3,725
Listed equity securities, Hong Kong (see note 23)	2,130	–	–	2,130
Listed equity securities, outside Hong Kong (see note 23)	5,100	–	1,322	6,422
Financial assets at fair value through profit or loss (see note 23)	–	301	–	301
	13,168	2,610	2,251	18,029
Fair value hedges				
Interest rate swaps (see note 22)	–	1,813	–	1,813
Cross currency interest rate swaps (see notes 22 and 25)	–	814	–	814
Cash flow hedges				
Interest rate swaps (see note 22)	–	42	–	42
Forward foreign exchange contracts (see note 25)	–	81	–	81
	–	2,750	–	2,750
Fair value hedges				
Interest rate swaps (see note 31)	–	(345)	–	(345)
Cash flow hedges				
Interest rate swaps (see note 31)	–	(163)	–	(163)
Forward foreign exchange contracts (see notes 26 and 31)	–	(746)	–	(746)
	–	(1,254)	–	(1,254)

44 Financial risk management (continued)

(j) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2012				
Financial assets (liabilities) 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
Cash flow hedges				
Forward foreign exchange contracts (see note 25)	–	47	–	47
	–	4,534	–	4,534
Cash flow hedges				
Interest rate swaps (see note 31)	–	(249)	–	(249)
Forward foreign exchange contracts (see notes 26 and 31)	–	(439)	–	(439)
	–	(688)	–	(688)

(j) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair values

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

	2013 HK$ millions	2012 HK$ millions
At 1 January	**2,159**	2,339
Total gains (losses) recognised in		
Income statement	**79**	(1)
Other comprehensive income	**79**	126
Additions	**31**	44
Disposals	**(100)**	(367)
Exchange translation differences	**3**	18
At 31 December	**2,251**	2,159
Total gains (losses) recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**79**	(1)

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

44 Financial risk management (continued)

(j) Fair value measurements (continued)

(ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table (i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$ millions	**Level 2 HK$ millions**	**Level 3 HK$ millions**	**Total HK$ millions**
At 31 December 2013				
Bank and other debts	**170,667**	**66,076**	**–**	**236,743**

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2012				
Bank and other debts	212,151	65,209	–	277,360

The fair value of the bank and other debts included in level 2 category above are 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.

(k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

(1) are offset in the Group's consolidated statement of financial position; or

(2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2013						
Financial assets						
Trade receivables	918	(314)	604	(148)	–	456
Fair value hedges						
Interest rate swaps	1,813	–	1,813	(345)	–	1,468
Cross currency interest rate swaps	814	–	814	–	–	814
Cash flow hedges						
Interest rate swaps	42	–	42	–	–	42
Forward foreign exchange contracts	81	–	81	(74)	–	7
	3,668	(314)	3,354	(567)	–	2,787
Financial liabilities						
Trade payables	(1,247)	314	(933)	129	–	(804)
Other payables and accruals	(632)	–	(632)	19	–	(613)
Fair value hedges						
Interest rate swaps	(345)	–	(345)	345	–	–
Cash flow hedges						
Interest rate swaps	(163)	–	(163)	–	–	(163)
Forward foreign exchange contracts	(746)	–	(746)	74	–	(672)
	(3,133)	314	(2,819)	567	–	(2,252)

44 Financial risk management (continued)

(k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2012						
Financial assets						
Trade receivables	875	(277)	598	(240)	–	358
Fair value hedges						
Interest rate swaps	2,960	–	2,960	–	–	2,960
Cross currency interest rate swaps	1,527	–	1,527	–	–	1,527
Cash flow hedges						
Forward foreign exchange contracts	47	–	47	(34)	–	13
	5,409	(277)	5,132	(274)	–	4,858
Financial liabilities						
Trade payables	(954)	277	(677)	187	–	(490)
Other payables and accruals	(576)	–	(576)	53	–	(523)
Cash flow hedges						
Interest rate swaps	(249)	–	(249)	–	–	(249)
Forward foreign exchange contracts	(439)	–	(439)	34	–	(405)
	(2,218)	277	(1,941)	274	–	(1,667)

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 2013 is set out as follows:

	2013 **HK$ millions**	2012 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	**39,931**	39,931
Current assets		
Amounts due from subsidiary companies [(b)]	**69,533**	68,597
Current liabilities		
Other payables and accruals	**72**	67
Net current assets	**69,461**	68,530
Net assets	**109,392**	108,461
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves [(c)]	**108,326**	107,395
Shareholders' funds	**109,392**	108,461

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 265 to 270.

(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 2012	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**
Profit for the year	**–**	**10,007**	**10,007**
Unclaimed dividend write back	**–**	**5**	**5**
Dividends paid relating to 2012	**–**	**(6,523)**	**(6,523)**
Dividends paid relating to 2013	**–**	**(2,558)**	**(2,558)**
At 31 December 2013	**28,359**	**79,967**	**108,326**

* Share premium comprises share premium of HK$27,955 million and capital redemption reserve of HK$404 million in all reporting years.

(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$225,354 million (2012 – HK$260,036 million), the Company has guaranteed a total of HK$179,993 million (2012 – HK$213,387 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities of US$3,000 million and €1,750 million, approximately HK$41,279 million (2012 – US$3,000 million, approximately HK$23,400 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 associated companies and joint ventures totalling HK$1,973 million (2012 – HK$1,815 million) and HK$19,998 million (2012 – HK$7,385 million) respectively and other guarantees of HK$9,983 million (2012 – HK$1,675 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$10,007 million (2012 – HK$9,702 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 2013 amounting to HK$79,967 million (2012 – HK$79,036 million).