OFFERING MEMORANDUM **CONFIDENTIAL**

US$1,500,000,000

Hutchison Whampoa International (09) Limited

(incorporated in the Cayman Islands with limited liability)

7.625% Guaranteed Notes due 2019
unconditionally and irrevocably guaranteed by

Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

Offer Price: 99.676% plus accrued interest, if any

Hutchison Whampoa International (09) Limited will issue US$1,500,000,000 principal amount of 7.625% guaranteed notes due 2019. The obligations of the Issuer will be unconditionally and irrevocably guaranteed by Hutchison Whampoa Limited.

The notes will bear interest from and including April 9, 2009 at the rate set forth above, payable semi-annually in arrears on April 9 and October 9 of each year (commencing October 9, 2009). The notes will not be redeemable by the Issuer prior to maturity, except upon the occurrence of certain changes in the Cayman Islands, Hong Kong or PRC tax law requiring the payment of Additional Amounts as described therein. The notes will (subject to the lien covenant in the notes) be unsecured.

Application will be made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in and the listing of the notes. See "General Information". The SGX-ST takes no responsibility for the correctness of any statement made, opinion expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the notes on the SGX-ST is not to be taken as an indication on the merits of the Issuer, Hutchison Whampoa Limited or the notes.

The notes are expected to be rated "A-" by Fitch Ratings Ltd., "A3" by Moody's Investors Service Limited and "A-" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. See "Ratings".

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 18 of this offering memorandum.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. Unless they are registered, the notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the notes are only being offered to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act and non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions".

It is expected that the notes will be ready for delivery through the facilities of The Depository Trust Company against payment in New York, New York on or about April 9, 2009.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank Securities **HSBC** **J.P. Morgan**

The date of this offering memorandum is April 6, 2009.

TABLE OF CONTENTS

Except as discussed below, Hutchison Whampoa International (09) Limited (the "Issuer") and Hutchison Whampoa Limited ("Hutchison" or the "Guarantor") accept responsibility for the information contained in this document which is material in the context of this offering. To the best knowledge and belief of the Issuer and Hutchison (each of which has taken reasonable care to ensure that such is the case), the information contained in this document (subject as set out below in respect of information contained herein provided by other sources referred to herein) is in accordance with material facts and does not omit anything likely to materially affect the import of such information.

The distribution of this offering memorandum and the offer and sale of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes must inform themselves about and observe any such restrictions. This offering memorandum does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorized so to act.

Investors should rely only on the information contained or incorporated by reference in this offering memorandum. The Issuer and the Guarantor have not, and the Initial Purchasers (see "Plan of Distribution" for identities of Initial Purchasers) have not, authorized any other person to provide investors with different information. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. The Issuer, the Guarantor and the Initial Purchasers are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Each investor should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum or the date specifically referred to in its contents. The Guarantor's business, financial condition, results of operations and prospects may have changed since that date.

The Issuer and the Guarantor are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing notes, investors will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. Investors should understand that they will be required to bear the financial risks of their investment for an indefinite period of time.

The Issuer has submitted this offering memorandum to a limited number of institutional investors so that they can consider a purchase of the notes. Neither the Issuer nor the Guarantor has authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, each investor agrees to these restrictions. See "Transfer Restrictions".

Having made all reasonable inquiries, the Issuer and the Guarantor confirm that this offering memorandum contains all information with respect to the Issuer and the Guarantor and the notes which is material in the context of the issue and the offering of the notes, and that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that the Issuer and the Guarantor are not aware of any facts the omission of which would make any such information or the expression of any such opinions and intentions materially misleading.

This offering memorandum is based on information provided by the Issuer and the Guarantor and by other sources (such as publications from the Rating and Valuation Department of the Hong Kong government) referred to herein that they believe are reliable. The Issuer and the Guarantor accept responsibility for accurately reproducing such information provided by such other sources. The Issuer and the Guarantor accept no further or other responsibility in respect of such information. No assurance can be given that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and investors should refer to them for a more complete understanding of what is discussed in this offering memorandum. In making an investment decision, each investor must rely on its own examination of the Issuer and the Guarantor and the terms of the offering and the notes, including the merits and risks involved.

Neither the Issuer nor the Guarantor is making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. Investors should not consider any information in this offering memorandum to be legal, business or tax advice. Each investor should consult its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Investors should contact the Initial Purchasers with any questions about this offering or if they require additional information to verify the information contained in this offering memorandum.

Neither the U.S. Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE HongKong and Shanghai banking Corporation Limited (THE "STABILIZING MANAGER") OR ANY PERSON ACTING ON ITS BEHALF MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE TIME OF DELIVERY. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER OR ANY AGENT OF THE STABILIZING MANAGER TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CURRENCY OF PRESENTATION AND CERTAIN DEFINITIONS

"Hutchison" means Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, and its subsidiaries, unless the context otherwise requires, and references in Hutchison's consolidated financial statements to the "Group" are to Hutchison and all of its direct and indirect subsidiaries and also includes Hutchison's interest in associated companies and joint ventures on the basis set forth in Notes 1(b), 1(c) and 1(d), respectively, to the consolidated financial statements of Hutchison. See "Consolidated Financial Statements of Hutchison". Certain of Hutchison's subsidiaries are not wholly-owned, as described more fully herein. As used in this offering memorandum, "PRC" means the People's Republic of China, "Mainland" means the People's Republic of China excluding Hong Kong, Macau and Taiwan and "Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

Hutchison publishes its financial statements in Hong Kong dollars ("HK$"). For the convenience of the reader, this offering memorandum presents translations into U.S. dollars ("US$") of certain Hong Kong dollar amounts at the rate of HK$7.80 = US$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. On March 27, 2009, the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), was HK$7.7500 = US$1.00. This offering memorandum also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB"), Cayman Islands dollar ("C.I.$") and certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

As used in this offering memorandum, EBIT or LBIT represents the EBIT (LBIT) of Hutchison as well as Hutchison's share of the EBIT (LBIT) of associated companies and jointly controlled entities. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. Information concerning EBIT (LBIT) has been included in Hutchison's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit (loss) from operations. Hutchison considers EBIT (LBIT) to be an important performance measure which is used in Hutchison's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by Hutchison may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

EBITDA represents the EBITDA of Hutchison as well as Hutchison's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and finance costs, tax, depreciation and amortization, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in the fair value of investment properties. Information concerning EBITDA has been included in Hutchison's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. Hutchison considers EBITDA to be an important performance measure which is used in Hutchison's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by Hutchison may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flow as determined in accordance with generally accepted accounting principles in Hong Kong.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated in the Cayman Islands and Hutchison is incorporated in Hong Kong. All or a substantial portion of the assets of the Issuer and the Guarantor are located outside the United States. In addition, none of the directors and executive officers of the Issuer and the Guarantor are, and certain of the experts named herein are not, residents of the United States, and all or a substantial portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantor, or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. The Issuer has been advised by its Cayman Islands counsel, Maples and Calder, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in Hong Kong, England or New York, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize and enforce a judgment of a foreign court of competent jurisdiction without retrial on the merits if such judgment is final and conclusive, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matter and was not obtained in such a manner, and is not of a kind the enforcement of which is, contrary to the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). There is doubt, however, as to whether the courts of the Cayman Islands will (i) recognize or enforce judgments of United States courts predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (ii) in original actions brought in the Cayman Islands, impose liabilities based upon the civil liability provisions of the securities laws of the United States or any state thereof, on the grounds that such provisions are penal in nature. Additionally, a Cayman Islands' court may stay proceedings if concurrent proceedings are being brought elsewhere.

The Guarantor has been advised by its Hong Kong counsel, Woo, Kwan, Lee & Lo, that there is no treaty between Hong Kong and the United States providing for reciprocal enforcement of judgments.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this offering memorandum.

The Issuer

The Issuer, a wholly-owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on May 26, 2008. Its registered office is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-211279. The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly-owned subsidiary of the Guarantor as long as the notes are outstanding and will advance the net proceeds of the notes to Hutchison and/or its subsidiaries. The Issuer has no material assets.

Hutchison Whampoa Limited

Hutchison Whampoa Limited, a company incorporated in Hong Kong on July 26, 1977, under no. 54532 in the Companies Registry with limited liability, is the holding company of the Hutchison group of companies. Hutchison was initially established as the result of the merger between Hutchison International Limited and Hongkong and Whampoa Dock Company Limited. Hongkong and Whampoa Dock Company Limited, incorporated in 1866, was the first company to be registered in Hong Kong. Hutchison became a publicly listed company in 1978. Cheung Kong (Holdings) Limited ("Cheung Kong Holdings") became a major shareholder of Hutchison in 1979 and Mr. Li Ka-shing, the Chairman of Cheung Kong Holdings, became the Chairman of Hutchison in 1981. Cheung Kong Holdings (through its subsidiaries) owns approximately 49.9% of Hutchison's issued share capital and is the largest shareholder. Hutchison and Cheung Kong Holdings have certain common directors and cooperate primarily on major property development projects in the Mainland and to a lesser extent in Hong Kong, Singapore and the United Kingdom ("UK").

Hutchison is a Hong Kong-based multinational conglomerate whose securities are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Hutchison operates five core business divisions in 54 countries: ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications. Significant developments in Hutchison's business since December 31, 2008 are summarized below under "Recent Developments".

Ports and Related Services

Hutchison is one of the world's largest privately-owned container terminal operators in terms of throughput handled. The ports and related services division holds interests in 49 ports in 25 countries, including interests in container terminals operating in six of the nine busiest container ports in the world, and handled combined container throughput of 59.3 million, 66.3 million and 67.6 million Twenty Foot Equivalent Units ("TEUs") in 2006, 2007 and 2008, respectively. Hutchison has an 80% interest in this division. The holdings of the division are its interests in various ports including:

- Hong Kong, the third busiest container port in the world in 2008, where Hutchison operates 14 of the 24 available container berths through Hongkong International Terminals ("HIT") and COSCO-HIT Terminals ("COSCO-HIT"), a 50/50 joint venture between HIT and Cosco Pacific Limited, a subsidiary of China Ocean Shipping (Group) Company listed on the SEHK;

- the Mainland, where Hutchison holds interests in Yantian International Container Terminals ("YICT"), Shanghai Container Terminals ("SCT"), Shanghai Pudong International Container Terminals ("SPICT"), Shanghai Mingdong Container Terminals ("SMCT"), and Ningbo Beilun International Container Terminals ("NBCT") as well as other ports;

- the UK, where Hutchison holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe, London Thamesport and Harwich International Port;

- the Netherlands, where Hutchison holds interests in Europe Container Terminals ("ECT") in Rotterdam, and Amsterdam Container Terminals ("ACT") in Amsterdam;

- Continental Europe, where Hutchison holds interests in Terminal Catalunya ("TERCAT") in Spain, Gdynia

Container Terminal ("GCT") in Poland and Taranto Container Terminal ("TCTI") in Italy;

- Indonesia, where Hutchison holds interests in Jakarta International Container Terminal ("JICT") and Koja Container Terminal;

- Mexico, where Hutchison holds interests in Internacional de Contenedores Asociados de Veracruz ("ICAVE"), which is located in Veracruz on the east coast as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast;

- Panama, where Hutchison holds interests in Panama Ports Company ("PPC"), which operates terminals at Cristobal and Balboa ports, located near each end of the Panama Canal;

- the Bahamas, where Hutchison holds interests in Freeport Container Port ("FCP") on Grand Bahama Island;

- Argentina, where Hutchison holds interests in Buenos Aires Container Terminal Services ("BACTSSA");

- Saudi Arabia, where Hutchison holds interests in International Ports Services ("IPS") at Dammam;

- Tanzania, where Hutchison holds interests in Tanzania International Container Terminal Services ("TICT") at Dar es Salaam;

- Pakistan, where Hutchison holds interests in Karachi International Container Terminal ("KICT") and Karachi New Port Container Terminals ("KNP");

- Malaysia, where Hutchison holds interests in Westports Malaysia ("KMT") at Port Klang;

- South Korea, where Hutchison operates two terminals in Busan Port and one terminal in Gwangyang Port through Hutchison Korea Terminals ("HKT"), and one terminal in Gwangyang Port through Korea International Terminals ("KIT");

- Thailand, where Hutchison holds interests in Thai Laemchabang Terminal ("TLT"), Hutchison Laemchabang Terminal ("HLT") and Laemchabang International Ro-Ro Terminal ("LRT") at Laem Chabang. HLT has been awarded a 30-year concession to build and operate six container terminals in Chon Buri's Laem Chabang deep-sea port;

- Egypt, where Hutchison holds interests in Alexandria International Container Terminals, which operates terminals at Alexandria and El Dekheila Ports;

- Oman, where Hutchison holds interests in Oman International Container Terminal ("OICT") at the Port of Sohar, Oman; and

- Vietnam, where Hutchison holds interests in Saigon International Terminals Vietnam ("SITV"), which has been awarded a 50-year concession to jointly construct, develop and operate a new container terminal in Ba Ria Vung Tau Province, in southern Vietnam.

The division also has interests in other ports and port development projects, interests in ship repair, salvage and towage operations in Hong Kong and inland container depot operations in the Mainland. The ports and related services division contributed 11.4% of Hutchison's turnover (including share of associated companies ("associates") and jointly controlled entities ("JCEs")) and 25.4% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Property and Hotels

Hutchison's property and hotels division:

- held, as of December 31, 2008, a rental portfolio of approximately 15.5 million square feet, principally in Hong Kong and also in the Mainland and the UK. These investment properties comprise mainly office space and also commercial, industrial and residential areas, the leasing of which is a significant contributor to the division's revenue and EBIT;

- manages investment properties and development activities for Hutchison and certain of its associates and JCEs;

- acts as a developer of residential, commercial, office, hotel and recreational projects, principally in the Mainland and also in Hong Kong, Singapore and the UK. Hutchison has a current attributable landbank which can be developed into approximately 103 million square feet of mainly residential property, primarily in the Mainland; and

- has ownership interests in 12 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed by its 50% owned hotel management joint venture, which in addition manages one other independently owned hotel.

The property and hotels division contributed 3.0% of Hutchison's turnover (including share of associates and JCEs) and 15.5% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Retail

Hutchison's retail division operates as AS Watson, one of the world's largest health and beauty retail groups in terms of number of stores, and an operator of major chains of luxury perfumery and cosmetic products stores, supermarkets and consumer electronics and electrical appliances stores. AS Watson currently has over 8,300 stores in 34 markets mainly in Europe, Hong Kong, the Mainland and other markets in Asia. AS Watson also manufactures and distributes water and beverage products in Hong Kong and the Mainland.

The retail division contributed 34.0% of Hutchison's turnover (including share of associates and JCEs) and 8.4% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Energy, Infrastructure, Finance & Investments and Others

Cheung Kong Infrastructure

Hutchison has an 84.6% interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), one of the largest publicly listed infrastructure companies in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, the Mainland, Australia, New Zealand, the UK, Canada and the Philippines. CKI's major interests are:

- a 38.9% interest in Hongkong Electric Holdings Limited ("Hongkong Electric Holdings"), a listed company in Hong Kong that, through a wholly-owned subsidiary, The Hongkong Electric Company Limited ("Hongkong Electric"), generates, transmits, distributes, and is the sole provider of electricity to Hong Kong Island and Lamma Island;

- together with Hongkong Electric Holdings, a 51% interest (CKI: 23.07%; Hongkong Electric Holdings: 27.93%) in ETSA Utilities, the sole electricity distributor in the State of South Australia, Powercor Australia Limited ("Powercor"), the largest electricity distributor in the State of Victoria, and CitiPower I Pty Ltd ("CitiPower"), another major electricity distributor in the State of Victoria;

- an 8.7% interest in the Spark Infrastructure Group, a stapled group listed on the Australian Securities Exchange, which holds a 49% interest in ETSA Utilities, Powercor and CitiPower;

- an 18.52% interest in Envestra Limited, the largest listed natural gas distribution company in Australia, which owns about 21,000 kilometers of natural gas distribution networks and 1,000 kilometers transmission pipelines, serving over one million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory;

- a power generating portfolio currently with approximately 2,800 MW of gross capacity in the Mainland;

- interests in joint ventures that own and operate approximately 400 kilometers of toll roads and bridges in the Mainland;

- a 49% interest in AquaTower Pty Ltd in Victoria, Australia, which operates four treatment plants and provides potable water for four regional towns;

- a 100% interest in Cambridge Water PLC ("Cambridge Water"), a company appointed as a water undertaker under the Water Industry Act 1991 of the UK, which supplies water to a population of approximately 300,000 in an area over 1,175 square kilometers in South Cambridgeshire in the UK;

- an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland;

- together with Hongkong Electric Holdings, a 75.1% interest (CKI: 40.0%; Hongkong Electric Holdings: 35.1%) in Northern Gas Networks Limited ("NGNL"), which distributes gas to homes and businesses across the North of England, an area covering West, East and North Yorkshire, and the North East and Northern Cumbria;

- together with Hongkong Electric Holdings, a 100% interest (CKI: 50%; Hongkong Electric Holdings: 50%) in Stanley Power Inc., which owns a 49.99% partnership interest in TransAlta Cogeneration, L.P. which owns interests in five natural-gas powered cogeneration plants in Alberta, Ontario and Saskatchewan, and a coal-fired generation plant in Alberta in Canada;

- a 4.75% interest in Southern Water Group, a regulated business supplying water to more than 1 million households and waste water services to more than 2 million households across Sussex, Kent, Hampshire and the Isle of Wight; and

- together with Hongkong Electric Holdings, a 100% interest (CKI: 50%; Hongkong Electric Holdings: 50%) in Wellington Electricity Distribution Network, which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand, with a system length of over 4,592 kilometers.

CKI contributed 5.7% of Hutchison's turnover (including share of associates and JCEs) and 14.2% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Husky Energy

Hutchison holds a 34.57% interest in Husky Energy Inc. ("Husky Energy"), an integrated international energy and energy-related company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration, development and production of crude oil, bitumen, natural gas liquids and natural gas from assets located in Canada (Western Canada, offshore the East Coast of Canada and the Northwest Territories), the United States and offshore the Mainland, Indonesia and Greenland;

- the midstream segment comprising heavy oil upgrading, pipeline transportation, natural gas storage, processing, thermal/electric cogeneration and marketing of crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; and

- the downstream segment, which includes the refining, marketing and distribution of gasoline, aviation fuel, diesel, asphalt, ethanol and ancillary products and services across Canada and in the United States.

Husky Energy contributed 18.2% of Hutchison's turnover (including share of associates and JCEs) and 25.5% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Finance & Investments

Hutchison receives substantial income from its finance and treasury division, which is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments. Hutchison operates a central cash management system for its subsidiaries other than for those that are separately listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies. Income from this division includes interest income, dividends from equity investments, profits and losses from the sale of securities and foreign exchange gains and losses of non-HK dollar denominated liquid assets. The interest expense and finance costs related to Hutchison's various operating businesses are not attributed to this division but are attributed to and borne by the operating businesses.

The finance & investments division contributed 1.2% of Hutchison's turnover (including share of associates and JCEs) and 12.4% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Others

Hutchison's share of the results of Hutchison Whampoa (China) Limited ("Hutchison China"), Hutchison E-Commerce operations, listed subsidiary Hutchison Harbour Ring Limited ("HHR") and listed associated company TOM Group Limited ("TOM Group") are reported under this division.

- Hutchison China operates various service and distribution joint ventures in the Mainland, Hong Kong, the UK and France, and also has an investment in Chi-Med, a 71.6% owned subsidiary listed on the Alternative Investment Market of the London Stock Exchange. Chi-Med manufactures, distributes and sells healthcare and traditional Chinese medical and pharmaceutical products;

- Hutchison has a 71.5% interest in HHR, a listed company in Hong Kong that principally engages in the provision of integrated solutions of design, production and distribution of high quality consumer electronic products and mobile phone accessories. HHR is also a licensing and sourcing service provider and holds certain investment properties in the Mainland; and

- Hutchison has a 24.5% interest in TOM Group, a leading Chinese-language media group in the PRC listed on the Main Board of the SEHK. It has diverse business interests in four key areas: internet, publishing, outdoor media and television and entertainment.

This division contributed 2.1% of Hutchison's turnover (including share of associates and JCEs) and its LBIT of HK$791 million represented (1.5)% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Telecommunications

Hutchison is a leading worldwide operator of mobile telecommunications networks. The telecommunications division consists of an approximate 60.4% interest in listed subsidiary Hutchison Telecommunications International Limited ("HTIL"), and the "**3** Group" comprising 3G businesses in the UK, Italy, Ireland, Australia (through Hutchison Telecommunications (Australia) Limited ("HTAL")), Sweden, Denmark, Norway (in planning) and Austria.

- HTIL, which was listed on the SEHK and the New York Stock Exchange in October 2004, currently holds Hutchison's interests in 2G and 3G mobile operations in Hong Kong, Macau, Israel and Indonesia, fixed-line business in Hong Kong, 2G GSM mobile operations in Sri Lanka and CDMA2000-1X operations in Thailand. Its Vietnam operations recently received governmental approval for, and is in the process of, replacing its CDMA with a GSM network and relaunching its mobile operations. HTIL contributed 7.1% of Hutchison's turnover (including share of associates and JCEs) and 6.7% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

- The **3** Group comprises 3G businesses in various countries in Europe and in Australia offering 3G services under the brand name "**3**". As of March 25, 2009, including the 3G customers of HTIL, Hutchison had over 20.7 million 3G customers worldwide.

— In Italy, **3** Italia S.p.A. ("**3** Italia") serviced a customer base of over 8.8 million as of March 25, 2009. **3** Italia started its commercial testing on Digital Video Broadcast to Handheld ("DVB-H") services in June 2006 and commenced commercial services in September 2006, offering the first commercial DVB-H package in Italy, with TV, voice and Internet.

— In the UK and Ireland, Hutchison 3G UK ("**3** UK") and Hutchison 3G Ireland ("**3** Ireland") serviced a combined customer base of over 5.3 million as of March 25, 2009.

— In Australia, HTAL offers services in Sydney, Melbourne, Adelaide, Brisbane, Canberra and Perth using the **3** brand name. As of March 25, 2009, HTAL serviced an active customer base of over 2.1 million. In February 2009, HTAL agreed to combine its telecommunications businesses with Vodafone's businesses in Australia. See "— Recent Developments — Telecommunications".

— In Sweden and Denmark, Hi3G Access AB ("Hi3G Access") had a combined Scandinavian customer base of over 1.29 million as of March 25, 2009.

— In Austria, Hutchison 3G Austria GmbH (together with its wholly-owned subsidiary, Netco 3G GmbH ("**3** Austria")) serviced a customer base of 713,000 as of March 25, 2009.

The **3** Group contributed 17.3% of Hutchison's turnover (including share of associates and JCEs) and its LBIT of HK$10,857 million represented (20.8)% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Recent Developments

The following significant developments have taken place subsequent to December 31, 2008:

Global Economic Crisis

- The current global economic crisis is adversely affecting the global economy and has had a negative impact on Hutchison's turnover and profit. For example, as a result of the significant decline in crude oil prices in late 2008, Husky Energy's financial performance in the fourth quarter of 2008 was significantly lower than the previous quarters of the same year. In addition, in respect of the ports and related services division, there has been a significant decrease in combined container throughput since September 2008. Property prices and rental rates in Hong Kong and the Mainland have also declined during the second half of 2008 and the first two months of 2009. If these trends continue in 2009, they will have a material adverse impact on Hutchison's results of operations. See "Risk Factors — Global Economy" and "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison — Overview".

Ports and Related Services

- In February 2009, Terminales Internacionales de Ecuador S.A. ("TIDE"), a subsidiary of the ports division, withdrew from the concession agreement to operate Port of Manta on the grounds that there are changes in the concession agreement unilaterally imposed by the Ecuadorian government which TIDE finds unacceptable.

Cheung Kong Infrastructure

- In February 2009, CKI entered into an agreement with Hongkong Electric Holdings to procure the sale of the entire issued share capital of Outram Limited ("Outram") to Hongkong Electric Holdings or a wholly-owned subsidiary of Hongkong Electric Holdings for a consideration of HK$5,680 million. CKI, through Outram, holds a 45% equity interest in each of the joint ventures in the Mainland, which together own and operate three power plants, namely Zhuhai Power Plant in Zhuhai City, the neighboring Jinwan Phase 1 Power Plant and Siping Cogen Power Plants in the Jilin Province. The disposal is expected to be completed in April 2009, and CKI expects to report a gain of approximately HK$1,348 million in its 2009 interim results. Hutchison is expected to report a profit, after adjusting for Hutchison Group's asset valuation consolidation adjustments, from this transaction of approximately HK$880 million.

Husky Energy

- In February 2009, Husky Energy announced that it had completed drilling and testing of the first appraisal well at Liwan 3-1 field on block 29/26, South China Sea. The Liwan appraisal well was drilled to a total vertical depth of 3,887 meters below sea level. Evaluation and analyses will be conducted to clarify the extent of the discovery and determine the flow capacity of the reservoir. The well flowed at an equipment restricted rate of 53 million cubic feet per day indicating future deliverability could be in excess of 150 million cubic feet per day.

Telecommunications

Hutchison Telecommunications International Limited

- In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), the holding company of HTIL's Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of the SEHK by way of introduction, involving no initial public offering of shares or raising of capital. The spin-off remains subject to the approval of the SEHK. There will be no dilutive effect on the existing HTIL shareholders, who will remain as the shareholders of both HTIL and HTHKH upon the completion of the spin-off.

- On April 6, 2009, Hutchison and HTIL jointly announced that on April 3, 2009 one of HTIL's wholly-owned subsidiaries had entered into a conditional loan agreement to advance to Lucky Wealth Success Ltd. (guaranteed by PT Asia Mobile) US$55 million (approximately HK$426.3 million) and another conditional agreement to acquire the benefits of certain shareholder loans of approximately US$91.4 million (approximately HK$712.9 million) in aggregate principal amount advanced by PT Asia Mobile to PT. Hutchison CP Telecommunications ("HCPT"), an indirect 65%-owned subsidiary of HTIL at a consideration of US$1 (approximately HK$7.8). PT Asia Mobile also agreed for a consideration of US$1.00 to grant to a wholly-owned subsidiary of HTIL, a call option to purchase and to require PT Asia Mobile to sell its option shares in HCPT, exercisable during a twenty-year period subject to compliance with all requisite approvals, registrations and/or notifications required for effecting any transfer of option shares on any exercise of such share option. PT Asia Mobile has a 35% equity interest in HCPT.

Hutchison Telecommunications (Australia) Limited

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

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes and the Guarantee" in this offering memorandum.

Issuer	Hutchison Whampoa International (09) Limited
Guarantor	Hutchison Whampoa Limited
Notes Offered	US$1,500,000,000 principal amount of 7.625% guaranteed notes due 2019 (the "notes"). The notes are being offered (i) in the United States to "qualified institutional buyers", as defined in and in reliance on, Rule 144A under the Securities Act and (ii) to non U.S. persons outside the United States in reliance on Regulation S under the Securities Act. See "Plan of Distribution".
Issue Price	99.676% of principal amount plus accrued interest, if any, from April 9, 2009.
Maturity Date	April 9, 2019.
Interest	The notes will bear interest at 7.625%, from April 9, 2009 and be payable semi-annually in arrears. Interest will be calculated on the basis of a 360-day year and twelve 30 day months.
Interest Payment Dates	April 9 and October 9 of each year, commencing October 9, 2009.
Status of Notes and Guarantee	The notes will constitute direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligations of the Issuer ranking (subject as aforesaid) *pari passu*, without any preference or priority of payment, among themselves and with all other present and future unsecured and unsubordinated indebtedness of the Issuer, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights. The guarantee will constitute a direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligation of the Guarantor ranking *pari passu* with all other present and future unsecured and unsubordinated indebtedness of the Guarantor, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditor rights.
Covenants	The Issuer and the Guarantor have agreed to observe certain covenants. See "Description of the Notes and

	the Guarantee — Certain Covenants”.
Additional Amounts	In the event that certain Cayman Islands, Hong Kong or PRC taxes are payable in respect of payments pursuant to the notes or pursuant to the guarantee, the Issuer or the Guarantor, as the case may be, will, subject to certain exceptions, pay such additional amounts under the notes as will result, after deduction or withholding of such taxes, in the payment of an amount which would have been payable in respect of the notes had no such deduction or withholding been required. See “Description of the Notes and the Guarantee — Additional Amounts” and “— Redemption”.
Redemption	None, except that notes may be redeemed at the option of the Issuer or the Guarantor, in whole but not in part, at the principal amount thereof plus accrued and unpaid interest, in the event the Issuer or the Guarantor would become obligated to pay certain Cayman Islands, Hong Kong or PRC taxes in respect of the notes. See “Description of the Notes and the Guarantee — Redemption”.
Denomination, Form and Registration	The notes will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 above that amount. Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without interest coupons deposited with The Bank of New York Mellon as custodian for and registered in the name of Cede & Co., as nominee of DTC. Notes offered outside the United States in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons deposited with The Bank of New York Mellon as custodian for, and registered in the name of, a nominee of DTC for the respective accounts of Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear System, and Clearstream Banking société anonyme (“Clearstream”). DTC will credit the account of each of its participants, including Euroclear and Clearstream, with the principal amount of notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.
Governing Law	The notes and the Fiscal Agency Agreement (including the guarantee) will be governed by New York law.
Ratings	The notes are expected to be rated “A-” by Fitch Ratings Ltd. (“Fitch”), “A3” by Moody’s Investor Service Limited (“Moody’s”) and “A-” by Standard & Poor’s Ratings Services (“S&P”), a division of the McGraw-Hill Companies, Inc. Security ratings are not recommendations to buy, sell or hold the notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Transfer Restrictions	The notes have not been registered under the

	Securities Act or any state securities law. Unless they are registered, the notes may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws.
Risk Factors	See “Risk Factors” and the other information in this offering memorandum for a discussion of factors that should be carefully considered before deciding to invest in the notes.
Listing	Application will be made to the SGX-ST for permission to deal in and the listing of the notes. The Issuer cannot guarantee that the application to the SGX-ST will be approved. The offering and settlement of the notes are not conditional on obtaining such listing.
Use of Proceeds	The net proceeds of the sale of the notes after deducting commissions will be approximately US$1,489,890,000 and will be initially advanced by the Issuer to Hutchison. Hutchison intends to use the net proceeds of the offering to refinance certain indebtedness, including recourse or non-recourse indebtedness owed by subsidiaries of Hutchison, indebtedness falling due in the near term and indebtedness which would provide an economic benefit upon early repayment. In the event that Hutchison determines not to use certain of the proceeds for this purpose, such proceeds will be used for general corporate purposes, including the funding of capital expenditure. See “Use of Proceeds”.

SUMMARY FINANCIAL INFORMATION OF HUTCHISON

The following tables present summary consolidated financial information of Hutchison. This information should be read in conjunction with “Management’s Discussion and Analysis of Results of Operations and Financial Condition of Hutchison”, the audited consolidated financial statements of Hutchison and related notes thereto and other historical financial information that appear elsewhere herein.

The summary consolidated financial information for each of the three years ended December 31, 2008, 2007 and 2006 is derived from Hutchison’s audited consolidated financial statements for each of the years ended December 31, 2008 and 2007, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and the comparative consolidated financial statements of Hutchison for the year ended December 31, 2006 as shown in the audited consolidated financial statements for the year ended December 31, 2007.

Hutchison’s consolidated financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), issued by the Hong Kong Institute of Certified Public Accountants. Certain significant differences between HKFRS and U.S. GAAP relevant to Hutchison’s consolidated financial statements are discussed in “Summary of Certain Differences Between Hong Kong Financial Reporting Standards and U.S. GAAP.”

Financial statements of the Issuer have not been presented since the Issuer’s primary business relates to the financing of Hutchison’s operations.

The translations of HK dollar amounts into U.S. dollars were made at the rate of HK$7.80 = US$1.00.

Consolidated Profit and Loss:

Audited
Year Ended

	December 31, 2006 HK$ millions (other than per share amounts)	2007 HK$ millions (other than per share amounts)	2008 HK$ millions (other than per share amounts)	2008 US$ millions (other than per share amounts)
Company and subsidiary companies:				
Revenue	183,812	218,726	235,461	30,187
Cost of inventories sold	(67,114)	(73,977)	(77,460)	(9,930)
Staff costs	(25,729)	(29,325)	(32,053)	(4,109)
3 Group telecommunications expensed customer acquisition costs	(5,494)	(5,732)	(3,457)	(443)
Depreciation and amortization	(33,091)	(38,872)	(37,447)	(4,801)
Other operating expenses	(50,860)	(56,448)	(67,300)	(8,628)
Change in fair value of investment properties	2,843	1,988	672	86
Profit (loss) on disposal of investments and others	23,290	(11,182)	3,458	443
Share of profits less losses after tax of:				
Associated companies before profit on disposal of investments and others(1)	11,472	12,002	12,522	1,605
Jointly controlled entities(2)	3,075	3,338	5,286	678
Associated company's profit on disposal of an investment and others	—	35,820	3,122	400
Profit before the following:	42,204	56,338	42,804	5,488
Interest and other finance costs(3)	(16,601)	(19,054)	(17,286)	(2,216)
Profit before tax	25,603	37,284	25,518	3,272
Current tax charge(3)	(1,560)	(2,768)	(3,444)	(442)
Deferred tax credit (charge)(3)	(1,417)	(1,651)	2,576	330
Profit after tax	22,626	32,865	24,650	3,160
Allocated as:				
Profit attributable to minority interests	(2,596)	(2,265)	(6,986)	(895)
Profit attributable to shareholders of the Company	20,030	30,600	17,664	2,265
Dividends	7,375	7,375	7,375	946
Earnings per share for profit attributable to shareholders of the Company(4)	4.70	7.18	4.14	US53.1 cents
Dividends per share	1.73	1.73	1.73	US22.2 cents

(1) Includes shares of associated companies' change in fair value of investment properties, interest and tax

(2) Includes shares of jointly controlled entities' change in fair value of investment properties, interest and tax

(3) Amounts represent Company and subsidiary companies' respective items

(4) Earnings per share is calculated based on profit attributable to shareholders of Hutchison divided by the weighted average number of shares in issue during the reporting year

Ratios and other information:

	Year Ended December 31, 2006	2007	2008
Return on Average Shareholders' Funds (%)	7.7	10.5	6.1
Current Ratio	1.4	1.3	1.2
Earnings to Fixed Charges	2.5	2.9	2.4
EBITDA(1) to Fixed Charges	5.7	6.6	5.4
EBITDA(1) to Net Interest(2)	7.9	9.8	7.5
FFO(1) before net interest and other finance costs to Net Interest(2)	3.6	6.2	4.4

Net Debt/EBITDA[(1)]	1.6	1.0	1.7
FFO[(1)] /Net Debt (%)	19.8	49.9	25.6
Net Debt/Net Total Capital[(3)] (%)	34.0	25.9	34.1
Net Assets attributable to shareholders of Hutchison per share — Book Value (HK$)	64.2	72.7	63.7

(1) EBITDA and FFO are all stated before all customer acquisition costs in all the ratio calculations.

(2) EBITDA and FFO are adjusted for interest income in ratios calculating net interest coverage.

(3) Net debt/Net total capital ratio as of December 31, 2006 and 2007 are conformed to December 31, 2008's presentation.

Earnings — Represents profit before tax and fixed charges.

Fixed Charges — Consist of interest and other finance costs (including amounts capitalized) on all borrowings.

Net Interest — Fixed charges, net of interest income of Hutchison and its subsidiaries.

EBITDA — EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortization, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in the fair value of investment properties. Hutchison presents EBITDA in certain tables and discussions in this Offering Memorandum in addition to other financial information because it considers EBITDA to be an important performance measure which is used in Hutchison's internal financial and management reporting to monitor business performance and it believes that EBITDA is used by many industries and investors as one measure of gross cash flow generation. EBITDA should not be considered by an investor as an alternative to cash flow as determined in accordance with generally accepted accounting principles. Hutchison's calculation of EBITDA may differ from similarly titled computations of other companies.

FFO — FFO or funds from operations is defined as EBITDA after interest expense, other finance costs, tax paid and certain other items as shown on the consolidated cash flow statement included in Hutchison's consolidated financial statements incorporated by reference herein. Hutchison's computation of FFO may differ from similarly titled computations of other companies.

Net Debt — Net debt is defined as total principal amount of bank and other debts, excluding loans from minority

	shareholders which are viewed as quasi equity, net of bank balances and cash equivalents, long-term deposits, managed funds and listed debt and equity securities ("total cash, liquid funds and other listed investments") as shown on the consolidated cash flow statement included in Hutchison's consolidated financial statements incorporated by reference herein.
Net Total Capital —	Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from minority shareholders, net of total cash, liquid funds and other listed investments.

Consolidated Balance Sheet:

	Audited As of December 31, 2006 HK$ millions	2007 HK$ millions	2008 HK$ millions	2008 US$ millions
ASSETS				
Non-current assets				
Fixed assets	140,181	181,342	173,246	22,211
Investment properties	41,657	43,680	41,282	5,293
Leasehold land	35,293	36,272	34,745	4,455
Telecommunications licenses	89,077	91,897	72,175	9,253
Telecommunications postpaid customer acquisition and retention costs	10,532	8,771	12,022	1,541
Goodwill	21,840	31,520	30,318	3,887
Brand names and other rights	7,582	10,901	10,486	1,344
Associated companies	74,954	75,545	76,478	9,805
Interests in joint ventures	38,507	39,725	45,865	5,880
Deferred tax assets	17,159	17,619	13,248	1,698
Other non-current assets	3,762	5,082	8,904	1,142
Liquid funds and other listed investments	66,251	69,192	30,735	3,941
	546,795	611,546	549,504	70,450
Current assets				
Cash and cash equivalents	64,151	111,307	57,286	7,344
Trade and other receivables	44,188	55,374	54,767	7,022
Inventories	22,382	20,999	18,528	2,375
	130,721	187,680	130,581	16,741
Current liabilities				
Trade and other payables	66,487	90,029	82,497	10,577
Bank and other debts	22,070	50,255	23,945	3,070
Current tax liabilities	1,629	2,336	1,275	163
	90,186	142,620	107,717	13,810
Net current assets	40,535	45,060	22,864	2,931
Total assets less current liabilities	587,330	656,606	572,368	73,381
Non-current liabilities				
Bank and other debts	260,970	260,086	234,141	30,018
Interest bearing loans from minority shareholders	12,030	12,508	13,348	1,711
Deferred tax liabilities	15,019	17,957	13,616	1,746
Pension obligations	2,378	1,468	2,541	326

Other non-current liabilities	6,368	5,929	4,586	588
	296,765	297,948	268,232	34,389
Net assets	290,565	358,658	304,136	38,992
CAPITAL AND RESERVES				
Share capital	1,066	1,066	1,066	137
Reserves	272,728	308,948	270,510	34,681
Total shareholders' funds	273,794	310,014	271,576	34,818
Minority interests	16,771	48,644	32,560	4,174
Total equity	290,565	358,658	304,136	38,992

Consolidated Cash Flow Statement:

	Audited Year Ended December 31,			
	2006[2] HK$ millions	2007[2] HK$ millions	2008 HK$ millions	2008 US$ millions
Operating activities				
Cash generated from operating activities before interest and other finance costs, tax paid, **3** Group telecommunications expensed CACs[1] and changes in working capital	49,096	86,406	62,838	8,056
Interest and other finance costs paid	(15,990)	(18,508)	(16,762)	(2,149)
Tax paid	(2,010)	(2,608)	(3,576)	(458)
Funds from operations before **3** Group telecommunications expensed CACs	31,096	65,290	42,500	5,449
3 Group telecommunications expensed CACs	(5,494)	(5,732)	(3,457)	(443)
Funds from operations	25,602	59,558	39,043	5,006
Changes in working capital	1,020	(4,144)	(5,171)	(663)
Net cash from operating activities	26,622	55,414	33,872	4,343
Investing activities				
Purchase of fixed assets and investment properties for established businesses	(10,895)	(13,883)	(15,643)	(2,006)
Purchase of fixed assets for **3** Group	(11,559)	(13,969)	(11,921)	(1,528)
Additions to leasehold land	(1,454)	(1,104)	(214)	(27)
Additions to telecommunications licenses	—	(86)	(384)	(49)
Additions to brand names and other rights	(1,863)	(572)	(550)	(71)
Additions to telecommunications postpaid CACs for **3** Group	(15,223)	(11,479)	(16,935)	(2,171)
Additions to telecommunications postpaid CACs for HTIL	—	(346)	(817)	(105)
Purchase of subsidiary companies	(3,759)	45,348	28	4
Purchase of minority interests	—	(706)	(6,083)	(780)
Additions to other unlisted investments	(18)	(1,120)	(67)	(9)
Repayments from associated companies and non-property jointly controlled entities	1,769	1,888	1,112	143
Purchase of and advances (including deposits) to associated companies and jointly controlled entities	(4,248)	(3,361)	(9,047)	(1,160)
Proceeds on disposal of fixed assets, leasehold land and investment properties	2,325	825	2,787	357
Proceeds on disposal of subsidiary companies	550	895	5,294	679
Proceeds on partial disposal of subsidiary companies	33,595	—	—	—
Proceeds on disposal of associated companies	—	945	6	1
Proceeds on disposal of jointly controlled entities	—	1,379	670	86
Proceeds on disposal of other unlisted investments	622	342	50	6

Proceeds on disposal of infrastructure project investments	94	66	147	19
Partner Communications Company Ltd's repurchase of its shares	—	—	(799)	(103)
Disposal of liquid funds and other listed investments	1,967	4,099	32,993	4,230
Additions to liquid funds and other listed investments	(4,205)	(1,561)	(2,550)	(327)
Cash flows from (used in) investing activities	(12,302)	7,600	(21,923)	(2,811)
Net cash before financing activities	14,320	63,014	11,949	1,532
Financing activities				
New borrowings	59,725	52,144	41,267	5,290
Repayment of borrowings	(51,747)	(59,524)	(83,729)	(10,734)
Issue of shares by subsidiary companies to minority shareholders and loans from minority shareholders	2,271	2,573	1,371	176
Dividends paid to minority shareholders	(2,760)	(3,676)	(17,504)	(2,244)
Dividends paid to shareholders	(7,375)	(7,375)	(7,375)	(946)
Cash flows from (used in) financing activities	114	(15,858)	(65,970)	(8,458)
Increase (decrease) in cash and cash equivalents	14,434	47,156	(54,021)	(6,926)
Cash and cash equivalents at January 1	49,717	64,151	111,307	14,270
Cash and cash equivalents at December 31	64,151	111,307	57,286	7,344
Analysis of cash, liquid funds and other listed investments				
Cash and cash equivalents, as above	64,151	111,307	57,286	7,344
Liquid funds and other listed investments	66,251	69,192	30,735	3,941
Total cash, liquid funds and other listed investments	130,402	180,499	88,021	11,285
Total principal amount of bank and other debts	287,513	311,279	253,884	32,549
Interest bearing loans from minority shareholders	12,030	12,508	13,348	1,711
Net debt	169,141	143,288	179,211	22,975
Interest bearing loans from minority shareholders	(12,030)	(12,508)	(13,348)	(1,711)
Net debt (excluding interest bearing loans from minority shareholders)	157,111	130,780	165,863	21,264

(1) CACs represent customer acquisition costs and contract customer retention costs.

(2) Certain comparative figures for the years ended December 31, 2006 and 2007 are conformed to December 31, 2008's presentation.

RISK FACTORS

Investors should consider, among others things, the factors set forth below, as well as other considerations with respect to investments in Cayman Islands/Hong Kong corporations not normally associated with investments in the securities of issuers in European countries, the United States and other jurisdictions. This offering memorandum, including particularly the information set forth under the caption "Business of Hutchison" to the extent that it describes properties, projects, business ventures or strategies at an early stage of development or fulfillment, includes "forward-looking statements". Although Hutchison believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from Hutchison's historical results and forward-looking statements are set forth in this offering memorandum, but particularly include those set forth below. All forward-looking statements attributable to Hutchison or persons acting on its behalf are expressly qualified in their entirety by the investment considerations set forth below.

Global Economy

As a global business, Hutchison is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, Hutchison's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic activity or economic growth in the global or regional or a specific economy could adversely affect Hutchison's financial condition or results of operations.

Recent difficulties affecting the global financial sectors, adverse conditions and volatility in the United States and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general. During the second and third quarter of 2007, credit markets in the United States started to experience difficult conditions and volatility that in turn have affected worldwide financial markets. In particular, in late July and early August 2007, market uncertainty in the U.S. sub-prime mortgage sector increased dramatically and further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. In September and October 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments have resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets. Recently, in 2009, these concerns and volatility were heightened by government assistance and incentives to several major non-financial U.S. and European companies, and additional requests for such assistance.

This global economic crisis has had and will continue to have a negative impact on Hutchison's results of operations. For example, as a result of the significant decline in crude oil prices in late 2008, Husky Energy's financial performance in the fourth quarter of 2008 was significantly lower than the previous quarters of the same year. In addition, in respect of the ports and related services division, there has been a significant decrease in combined container throughput since September 2008. Property prices and rental rates in Hong Kong and the Mainland have also declined during the second half of 2008 and the first two months of 2009. If these trends continue in 2009, they will have a material adverse impact on Hutchison's results of operations.

Furthermore, the global financial crisis has resulted in a global credit tightening, which has affected not only the banking and financial sectors, but also the commercial sectors which rely on the availability of banking facilities and bank borrowings. The tightening of the credit markets may increase the interest expenses of Hutchison's bank borrowings, and banks may reduce the amount of or discontinue the banking facilities currently available to Hutchison. In addition, if Hutchison's customers are unable to borrow money, are put into liquidation, or experience financial difficulty, Hutchison may not be paid by such customers on time or at all, and may experience a significant decline in the demand for its products and services. If the economic downturn and the weak economic sentiment continue, Hutchison's business and financial condition will experience further deterioration.

Reliance on Major Industries and Interest Rates

Hutchison's results are affected by trends in the industries in which it operates, including the ports and related services, Hong Kong and the Mainland property, retailing, infrastructure and energy industries and telecommunications. While Hutchison believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, Hutchison's results in the past have been negatively impacted by declining property values in Hong Kong, lower oil and gas prices, cyclical downturn in the business of shipping lines, a decline in the value of securities investments, and also volatility in interest rates. There can be no assurance that the combination of industry trends and interest rates experienced by Hutchison in the future will not adversely affect its financial condition and results of operations.

In particular, income from Hutchison's finance and treasury operations is dependent upon the interest rate and currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect Hutchison's financial condition and results of operations.

Ports and Related Services

Hutchison's ports business is subject to significant competition, including possible vertical integrations of international shipping lines that are major clients of Hutchison's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and therefore may not require the use of Hutchison's terminal facilities.

Furthermore, ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime change or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including Hutchison's port operations.

The container throughput handled by Hutchison's ports is dependent on global trading volume. The continuing global economic crisis is expected to have an adverse effect on the ports and related services division in 2009. The ports and related services division saw a significant decline in global throughput and more pricing pressure in the fourth quarter of 2008 compared to the third quarter of 2008 and this trend has continued into 2009. In addition to a general decrease in global export and import activity, the global credit crunch has also adversely affected global shipping, as liquidity problems in the international banking sector have reduced the availability of credit, making the financing of shipments more difficult. If these trends continue, global throughput levels are expected to decrease.

In the Mainland, which accounts for a significant portion of the ports and related services division's total throughput, imports and exports have been affected by the economic slowdown. According to the China Customs Bureau, the Mainland's imports declined year-on-year by 17.9%, 21.3% and 43.0% in November 2008, December 2008 and January 2009, respectively, while the Mainland's exports declined year-on-year by 2.2%, 2.8% and 17.5%, respectively, in those months. Such declines in shipping activity are expected to negatively affect throughput levels, which in turn will adversely affect the ports and related services division's financial results.

There can be no assurance that any of the above factors will not adversely affect Hutchison's financial condition and results of operations.

Property Interests

Hong Kong Rentals and Values

Hutchison has, and expects that it will continue to have, substantial property and hotel interests in Hong Kong. Historically, the Hong Kong property market has been cyclical, with Hong Kong property values affected by supply and demand of comparable properties, the amount of new land made available by the Hong Kong Government to third parties, the rate of economic growth in Hong Kong and political and economic developments in the Mainland. The value of real estate in Hong Kong has declined since the late 1990s until recently as the Hong Kong property market has been characterized by an overabundance of supply and the effects of decline in general economic conditions. While the property market has shown improvement during 2004 through to the first half of 2008, property prices in Hong Kong have declined in late 2008 and early 2009. There can be no assurance that property markets will not continue to fall in light of the current economic slowdown in Hong Kong, the Mainland and the rest of Asia. Any sustained decline in property prices will have an adverse impact on the values of Hutchison's property interests in both Hong Kong and the Mainland, and significantly affect the turnover and profits from the sales of Hutchison's development properties.

Hutchison is subject to the general risks inherent in property development and to the ownership and operation of office and related commercial properties, including, among other things, risks that financing for development may not be available on favorable terms, that construction may not be completed on schedule or within budget, that long-term financing may not be available on completion of construction, that developed properties may not be leased or sold on profitable terms and that purchasers may default. Hutchison is also subject to the general risks incidental to the ownership and operation of office and related commercial properties including, among other things, competition for tenants, changes in market rental levels, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, and the need to renovate, repair and re-let space periodically and to pay the associated costs. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. Additional supply of new office properties is scheduled for completion in Hong Kong over the next few years and such additional supply could also adversely affect office rents and occupancy rates. The property and hotels division may also be affected by declining rents in Hong Kong where average rents fell in the second half of 2008 and the first two months of 2009. Since leases of Hong Kong properties are often for a short duration (typically two to six years, depending on the type of property) or contain provisions requiring periodic adjustments of rent within a short period of time (typically three years), Hutchison's income from property may be subject to more frequent adjustments than would be the case in other real estate markets.

Mainland Property Investments

Hutchison has investments in joint venture companies formed to develop, own and/or operate property in the Mainland. Development projects in the Mainland are dependent on obtaining the approvals of a variety of governmental authorities at different levels, receipt of which cannot be assured. These development projects have been and may in the future be subject to certain risks, including the cyclical nature of property markets, changes in governmental regulations and economic policies, including regulations and policies restricting construction of properties and buildings and related limitations on extensions of credit, building material shortages, increases in labor and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained or that the cost of Hutchison's developments will not exceed projected costs.

In May 2006, the PRC government issued the Circular 2006 no. 37, "Circular of the State Council General Office on Circulation of the Opinion Issued by the Ministry of Construction and Related Authorities Concerning Adjustment of Supply Model of Property and Stability of Price of Property", which sets out new restrictions on the type of properties being developed and the sale of land and properties to foreign investors. In addition, in July 2006, the PRC government issued the Circular 2006 no. 171 in relation to the "Decision on Regulating Market Entry and Administration of Foreign Investment in Real Estate Market", which sets forth a number of limits for foreign investments in the real estate market in the Mainland. Under this new policy, a higher level of equity funding is required for real estate development projects held by foreign investments. In May and July 2007, the PRC government issued Circulars no. 50 and no. 130, respectively, which further set out new restrictions on the currency and amount of financing for property development by foreign investors. Under the new regulations, a restricted amount of Renminbi denominated loan is allowed for financing the real estate development projects and thus a higher level of equity funding is required for such projects and all need to be filed with the PRC Ministry of Commerce ("MOC") after approval by the relevant PRC local authorities. On September 28, 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which has been the practice in many cities in the Mainland. Due to these new policies, Hutchison is required to meet additional funding requirements for its property development investments and the timing for the approval and filing will be longer. There can be no assurance that any changes to or new interpretations of these policies in the future will not adversely affect the real estate market in the Mainland and hence Hutchison's financial condition and results of operations.

Property prices in the Mainland have fallen sharply in 2008 and early 2009 and there can be no assurance that property prices will not continue to fall in light of the current economic slowdown and adversely affect turnover and profits from the sales of Hutchison's development properties.

Retail

Hutchison's retail division has regularly experienced fluctuations in consumer sentiments and price competition. Consumer spending confidence has been unfavorably affected by the slowdown in the global economy and rising unemployment rate since late 2008. Performance of the retail industry towards the end of 2008 generally remained constant or declined in the markets in which the retail division operates. For example, according to Hong Kong's Census and Statistics Department, the volume of total retail sales in Hong Kong decreased year-on-year by 3.6% in the fourth quarter of 2008. In Western Europe, according to the Hong Kong Trade and Development Council, holiday spending in 2008 for the UK had minimal growth, while both France and Italy recorded declines despite seasonal sales. For 2009, the Hong Kong Trade and Development Council forecasts that the financial crisis and credit crunch will significantly impact consumer spending in Western Europe (including the UK). Continued low consumer spending in the UK and Western Europe may adversely affect the retail division's operations in 2009 and the impact could be greater on Hutchison's luxury perfumery business. The retail division believes that its geographically diversified operations can help to reduce its exposure to specific market cycles.

In addition, by leveraging on its scale of operation, the retail division believes that it can reduce the effect of the price pressure from competition by securing cost reductions from suppliers to maintain its price margins. However, there is no assurance that future price pressure from competition and changes in consumer sentiments will not adversely affect Hutchison's financial condition and results of operations.

Infrastructure and Energy

CKI, in which Hutchison has an 84.6% interest, is one of the largest publicly listed infrastructure companies in Hong Kong with diversified investments in energy, transportation and water infrastructure as well as infrastructure related business in Hong Kong, the Mainland, Australia, New Zealand, the UK, Canada and the Philippines. In addition to the normal political risks associated with investments in the Mainland, there are a number of construction, financing and other risks associated with infrastructure investments in the Mainland. While CKI does not currently anticipate that it will develop significant new infrastructure businesses in the Mainland, it may determine to do so in the future. There can be no assurance that risks associated with infrastructure businesses in the Mainland will not adversely affect Hutchison's financial condition and results of operations in the future. Infrastructure projects of the types undertaken by Hutchison typically require substantial capital expenditure during the construction phase and usually take many months, sometimes years, before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes, disputes with sub-contractors, accidents, changes in government priorities and unforeseen problems and circumstances. Any of these could give rise to delays in the completion of construction and/or to cost overruns. Delays in the process of obtaining the requisite licenses, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business. Construction delays can result in the loss of revenues. The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and less desirable returns.

The operations of Hongkong Electric, a wholly-owned subsidiary of Hongkong Electric Holdings, in which CKI holds a 38.9% interest, are subject to a scheme of control agreement with the Hong Kong Government (the "Scheme of Control") which expired on December 31, 2008. Under the Scheme of Control, shareholders of Hongkong Electric were entitled to a net return of 15% on net fixed assets financed by shareholders' funds and a minimum net return of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings. In January 2008, Hongkong Electric signed a new Scheme of Control ("SOC") with the Hong Kong Government. The new SOC is for a period of 10 years commencing January 1, 2009 with a Government option to extend the agreement for a further term of five years. The agreement provides for a 9.99% permitted rate of return on average net fixed assets other than for renewable energy fixed assets for which the permitted return is 11% and contains provisions that encourage emission reduction, energy efficiency, operational performance, service quality and the use of renewable energy. The permitted returns under the new scheme are lower than under the old scheme and as a result, Hongkong Electric is expected to experience a commensurate decrease in EBIT in 2009. There can be no assurance that the SOC will be extended or renewed or renewed on terms that will not adversely affect Hutchison's financial condition and results of operations in the future.

Husky Energy's business is subject to environmental laws and regulations similar to other companies in the oil and gas industry. In meeting its regulatory obligations, Husky Energy incurs costs for preventative and corrective actions. There can be no assurance that changes to such regulations will not adversely affect Husky Energy's, and therefore Hutchison's, financial condition and results of operations.

The oil and gas industry, both within Canada and internationally, is highly competitive. Husky Energy competes in virtually every aspect of its business with other oil and gas companies. In the exploration and development of oil and natural gas, Husky Energy's competitors include major integrated oil and gas companies, numerous independent oil and gas companies and individual producers and operators. The margins earned by Husky Energy on its products from its downstream operations are determined by competitive market conditions and are beyond the control of Husky Energy. In export markets, Husky Energy encounters active competition from other producers, both Canadian and foreign. The oil and gas industry also competes with other industries in supplying energy, fuel and related products to consumers.

As an integrated producer, Husky Energy's financial performance is highly sensitive to the volatility of crude oil and natural gas prices and its profitability is largely determined by realized prices for crude oil and natural gas and refinery processing margins, including the effect of changes in the U.S./Canadian dollar exchange rate. All of Husky Energy's crude oil production and the majority of its natural gas production receive the prevailing market price. The price for crude oil is determined largely by global factors and is beyond Husky Energy's control. The price for natural gas is determined more by the North America fundamentals since virtually all natural gas production in North America is consumed by North American customers, predominantly in the United States. Political developments and compliance or non-compliance with quotas imposed upon members of the Organization of Petroleum Exporting Countries can affect world oil supply and oil prices. Weather conditions also exert a dramatic effect on short-term supply and demand. The majority of Husky Energy's crude oil and natural gas production is marketed in North America.

High prices for crude oil in the first half of 2008 resulted in demand abatement in the United States toward mid year. In July 2008, global demand for energy began to collapse following the global economic and financial crisis and prices fell through the fourth quarter. Production cuts announced by OPEC have not led to a measurable increase in oil prices. In light of an expected increase in non-OPEC production and declining world consumption, the increase in surplus supply could further exacerbate the soft price environment. During 2008, the near-month contract price of WTI averaged US$99.65/bbl and peaked above US$145/bbl in mid July before declining to US$44.60/bbl on December 31, 2008. The average in 2007 was US$72.31/bbl. The average during the fourth quarter of 2008 was US$58.73/bbl, compared with US$90.68/bbl in the fourth quarter of 2007. These have been affected by the decelerating economy in the latter half of 2008 and as a result, Husky Energy's net earnings declined substantially in the fourth quarter of 2008. Low oil prices will continue to adversely impact the performance of Husky Energy going forward. In view of the current economic environment, Husky Energy has reduced capital spending in 2009 and is reviewing and implementing cost containment and efficiency opportunities throughout the organization.

Natural gas prices quoted on the NYMEX rose sharply through the first seven months of 2008 based on lower storage levels and higher demand. After July 2008, natural gas prices fell steadily as natural gas storage levels increased as the economy weakened. At the end of 2008, natural gas inventory in underground storage in the United States was 3% higher than the five year average and 1% higher than the previous year. During 2008, the NYMEX near-month contract price of natural gas averaged US$9.04/mmbtu and peaked above US.$13.50/mmbtu at the beginning of July before declining to US$5.62/mmbtu on December 31, 2008. The average in 2007 was US$6.86/mmbtu. The average during the fourth quarter of 2008 was US$6.94/mmbtu and for the fourth quarter of 2007 was US$6.97/mmbtu.

Husky Energy's downstream results are primarily driven by refining crack spreads in the United States. During 2008, the New York Harbor 3:2:1 refining crack spread averaged US$9.96/bbl compared with US$14.15/bbl in 2007. During 2008, the Chicago crack spread averaged US$11.17/bbl compared with US$17.68/bbl in 2007. In export markets, Husky Energy encounters active competition from other producers, both Canadian and foreign.

The development of oil and natural gas discoveries in offshore areas and the development of oil sands projects are particularly dependent upon the outlook for oil and natural gas prices due to the large capital expenditure required for development prior to commencing production. Husky Energy expects continued volatility and uncertainty in crude oil and natural gas prices. World oil prices have not rebounded in 2009, and will continue to adversely affect Husky Energy's 2009 financial results.

Husky Energy undertakes at least annually a cost center impairment test in accordance with the generally accepted accounting principles in Canada. A cost center impairment loss is a charge to earnings which does not adversely impact cash flow from operations. There can be no assurance that Husky Energy will not be required to take a charge to earnings in the future due to factors affecting the impairment test.

Telecommunications

The telecommunications industry is highly competitive and has been subject to changes in customer needs, evolving industry standards and frequent introductions of new products and services. For example, many Internet products have been developed with the proliferation of Internet usage. The development of Internet products such as voice-over-IP ("VoIP") may cause a reduction in the usage of services that are provided by Hutchison's existing businesses. The innovative nature of these products and services, their rapid evolution and shorter life cycles require Hutchison to respond to offerings by competitors. Hutchison also faces competition from entities providing alternate telecommunications access technologies and may face competition in the future from technologies being developed or to be developed.

Hutchison's telecommunications businesses are highly regulated. New regulatory initiatives or changes in legislation, regulation or government policy affecting Hutchison's business activities, as well as decisions by regulatory authorities or courts, could adversely affect Hutchison's financial condition and results of operations. ARPU is expected to continue declining in 2009 in line with industry trends, and changes in the regulatory environment may continue to affect the price of and the costs of the **3** Group's products and services.

Hutchison is only permitted to provide telecommunications services and operate networks under licenses granted by competent authorities in each country. All of these licenses have historically been issued for set durations and renewed, however renewal may not be guaranteed, or, if the licenses are renewed, their terms and conditions may be changed. These licenses may also contain a number of regulatory requirements and carrier obligations regarding the way Hutchison must conduct its business, as well as regarding network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licenses. Decisions by regulators regarding the granting, amendment or renewal of licenses to Hutchison or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in a given spectrum band), could result in Hutchison facing unforeseen competition, and/or could adversely affect Hutchison's financial condition and results of operations.

Hutchison's business activities in certain countries are or may be subject to price control regulation with respect to their wholesale mobile termination rates and wholesale and retail international roaming rates. To the extent that such regulation already exists or may, generally or specifically, be imposed in the future in the countries where Hutchison operates, it may impact costs and revenues and therefore could adversely affect Hutchison's financial condition and results of operations.

Hutchison's ability to provide telecommunications services depends, in part, on its interconnection agreements, as well as international roaming arrangements, with other telecommunications operators. There can be no assurance that Hutchison will be able to maintain its interconnection agreements on terms that are commercially acceptable to it.

Hutchison Telecommunications International Limited

On May 8, 2007, HTIL completed the sale of its entire indirect interest in CGP Investments (Holdings) Limited ("CGP"), then a Cayman Islands incorporated subsidiary, to a subsidiary of Vodafone Group Plc incorporated in the Netherlands ("Vodafone"). CGP held, through various subsidiaries, all of HTIL's indirect interests in the Indian mobile telecommunications operation, comprising Vodafone Essar (then known as Hutchison Essar) and its subsidiaries. As a result of the sale, HTIL realized a pre-tax gain of approximately HK$69,343 million (US$8,890 million). On June 29, 2007, HTIL paid a special cash dividend equal to HK$6.75 per share, or approximately HK$32,234 million (US$4,133 million) in aggregate. On December 2, 2008, HTIL paid another special cash dividend of HK$7 per share, or approximately HK$33,700 million (US$4,321 million) in aggregate. Hutchison's share amounted to approximately HK$20,341 million (US$2,608 million). HTIL may be subject to claims or have to make payments as a result of warranty or indemnity obligations assumed in connection with the above noted sale. Furthermore, the Indian tax authorities may consider the gain arising from this sale to be taxable in India. The Indian tax authorities initiated an attempt to investigate certain aspects of such sale, focusing on whether Vodafone should have withheld tax from the acquisition proceeds. Vodafone disputed the jurisdiction of the Indian tax authorities in this matter. In late January 2009, the Indian Supreme Court expressed the opinion that such question of jurisdiction may be determined by the Indian tax authorities as a preliminary issue and Vodafone is entitled to question any decision made against it on this preliminary issue before the Indian High Court. HTIL has received legal advice and believes that the sale is not taxable in India and therefore no Indian tax is payable by HTIL and Vodafone was not required to withhold any Indian tax. Accordingly, HTIL has not provided for any claims or Indian tax liabilities in connection with the sale. However, there can be no assurance what the final outcome will be. If HTIL eventually suffers any Indian tax on this sale or other ensuing claims as a result, there may be a material adverse effect on Hutchison's financial position and results.

HTIL faces significant competition in each of the markets it operates. Competition among providers of mobile telecommunications services, including new entrants, is expected to continue and may adversely affect the prices chargeable for services and handsets (which are subsidized in some markets). In addition, number portability policies and procedures, which enable customers to switch their providers of mobile telecommunications services without changing their mobile phone numbers, have been introduced in Hong Kong and Macau, Israel and may be introduced in other markets in which HTIL currently operates. These developments could lead to greater movement of customers among providers of mobile telecommunications services, which could increase marketing, distribution and administrative costs, slow growth in the number of customers and reduce revenues. HTIL's marketing position will also depend on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors and changes in consumer preferences and economic, political and social conditions in the countries in which it operates. Any failure by HTIL to compete effectively, including in terms of pricing of services, acquisition of customers and retention of existing customers, could have an adverse effect on Hutchison's financial condition and the results of its operations.

HTIL offers mobile telecommunications services in Israel through Partner Communications Company Ltd. ("Partner Communications"). Due to the legal environment of Israel and the scope and magnitude of Partner Communications operations, Partner Communications is subject to the risk of a large number of lawsuits, including class action suits by consumers relating to allegations of violations of antitrust laws, consumer complaints and unauthorized erection of cellular antennas, which may be costly to defend and which may result in significant judgments against it. Currently, Partner Communications is engaged in a number of purported class action suits as a defendant, some of which are for substantial amounts. At this stage, and until the claims are recognized as class actions, HTIL and Partner Communications are unable to evaluate the probability of success of such claims, and therefore no provision has been made. There can be no assurance that the claims will not adversely affect Hutchison's financial condition and results. The Israeli Class Actions Law, 2006, includes provisions that expand the causes of action for which a class of litigants may bring suit, including with regard to any damages allegedly incurred prior to the effective date of these laws. This law has reduced the requirements for certification of a class action lawsuit and the qualifications required to be a lead plaintiff in a class action lawsuit. This law has increased the number of requests for approval of class actions and the number of class action suits against Partner Communications, and may increase Partner Communications' legal exposure and legal costs in defending against such suits, which as a result may materially and adversely affect HTIL's financial results. Some new precedents of various courts in Israel interpreting the new law further illustrate these concerns.

As part of its periodic review of company filings, the SEC sent HTIL comments in August 2008 regarding HTIL's annual report on Form 20-F for the year ended December 31, 2007. One comment that remains unresolved relates to the accounting treatment of sale and leaseback transactions for base station tower sites entered into by HTIL's Indonesia subsidiary, PT Hutchison CP Telecommunications ("HCPT"), in 2008. These transactions were disclosed as a subsequent event in HTIL's 2007 accounts, and details of the transactions and the applicable accounting treatment are disclosed in note 10(b) to HTIL's 2008 accounts. Hutchison believes the accounting treatment HTIL adopted is appropriate, and is continuing to engage with and provide further requested information to the SEC. Hutchison cannot predict the outcome of this review, and there is risk that an adjustment to Hutchison's accounts may be required in order to account for the sale and leaseback transactions as a finance lease. If Hutchison were required to account for the sale and leaseback transactions as a finance lease, Hutchison would not recognize a gain from the sales of the base station tower sites or an operating lease expense. Instead, Hutchison would be required to recognize the leased assets and the related finance lease obligations on the balance sheet and to recognize depreciation expense on the leased assets and an interest element of the lease payments as interest expense. In 2008, Hutchison recognized a gain from the sale of base station tower assets of HK$1,421 million and operating lease expenses of HK$128 million.

3 Group

Hutchison has made substantial investments in acquiring 3G licenses and developing its 3G networks in Europe and Australia. Hutchison will need to significantly increase **3** Group's customer levels and operating margins for **3** Group to become profitable. In order to grow its customer base, Hutchison has made significant investments in customer acquisition costs in each of **3** Group's markets. Hutchison may need to incur more capital expenditure to expand or improve its 3G network and incur more customer acquisition costs to build **3** Group's customer base. Hutchison may not be successful in growing **3** Group's customer base and improving operating margins to sufficient levels in order to cover operating costs, customer acquisition costs and capital expenditure requirements. In particular, the **3** Group experienced a material decline in its Italian operations during 2008 due to the effect of changes in the regulatory regime and the competitive environment in the Italian telecommunications industry. If results from the Italian operations do not improve in 2009, the **3** Group's financial results will continue to be adversely affected. In addition, the 3G licenses and networks are subject to annual impairment tests to assess whether their carrying values are supported by the net present value of future cash flows forecast to be derived from the use of these assets. 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 Hutchison'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 profit and loss account. See Note 2(a) to the consolidated financial statements of Hutchison for each of the years ended December 31, 2008 and 2007. Accordingly, there can be no assurance that **3** Group's operating losses will be substantially reduced in the near term.

Hutchison's disposal of investments is entirely discretionary and there can be no assurance that Hutchison will continue to generate profit from such disposals in the future. If **3** Group losses continue, and profit recognized from disposals of investments is reduced, Hutchison may report losses attributable to shareholders in future periods. Also, if **3** Group is unable to significantly increase customer levels and operating margins, the cost of operating its 3G networks could have a material adverse effect on the cash flow and financial condition of these businesses and may increase the total investment and funding requirement for these businesses. Hutchison and/or its relevant subsidiaries may need to borrow money or issue shares to pay for the operation and further build-out of their networks as well as for possible future acquisition of 3G licenses. There can be no assurance that Hutchison and/or its relevant subsidiaries will be able to obtain such financing on favorable terms or at all.

In April 2009, Moody's revised its outlook from "stable" to "negative" on the basis of Hutchison's weakened credit metrics in 2008 and uncertainty over whether Hutchison will be able to achieve metrics more in line with its current rating in 2009 in the context of the weak economic outlook. There can be no assurance that Hutchison will be able to maintain its current investment grade ratings as it commits further resources to the development, build-out and operation of **3** Group's networks and businesses.

Hutchison is also addressing other challenges in the markets where **3** Group operates such as developing successful pricing and tariff strategies in response to local competition, strengthening its product distribution channels, responding to technical problems, and other start-up issues relating to network stability, ensuring innovative content and strong customer service support. Competition in **3** Group's markets continues as incumbents roll out their own 3G services and step-up customer retention initiatives. This may result in lower than expected revenue per user and net margins, as well as higher than anticipated customer acquisition costs, and churn rates. There can be no assurance that Hutchison will be successful in addressing these issues. In addition, Hutchison may experience competitive pressure from lower priced alternative technologies or the chosen 3G technology could be superseded by an advanced form of technology, thereby making the 3G technology obsolete or less profitable. There can be no assurance that Hutchison will be able to effectively anticipate and respond to such new technologies, or to new consumer trends or changing consumer preferences. As a result of the decline in economic conditions, Hutchison believes that customers may be more cautious in their mobile usage which would adversely affect revenues and profits.

Under HKFRS, deferred tax assets are recognized for unused tax loss carry-forwards to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilized. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date, and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and charged to the profit or loss. 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 realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. As of December 31, 2008, Hutchison had a total deferred tax asset balance of HK$13,248 million (US$1,698 million), of which HK$12,000 million (US$1,538 million) was attributable to the 3G operations in the UK. The ultimate realization of these deferred tax assets depends principally on these businesses achieving profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. If there is a significant adverse change in the projected performance and resulting cash flow projections of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the profit and loss account, which could have an adverse effect on Hutchison's financial condition and results of operations. In the UK, Hutchison enjoys the availability of group relief in relation to taxation losses generated by its 3G operations to offset taxable profits from its other established businesses in the same period. In addition, UK taxation losses can be carried forward indefinitely.

Cashflow and Liquidity

From time to time, Hutchison accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions are impacted by many factors which, among others, include the liquidity in the capital markets and Hutchison's credit ratings. Although Hutchison aims to maintain a capital structure that is appropriate for long-term investment gradings, the actual credit ratings may depart from these levels due to economic circumstances. If the liquidity in the capital markets declines and/or the credit ratings of Hutchison decline, the availability and cost of borrowings could be affected and thereby impact Hutchison's financial condition and results of operations.

Currency Fluctuations

Hutchison reports its results in Hong Kong dollars but its various subsidiaries and associated companies around the world receive revenue and incur expenses in 48 different local currencies. Hutchison's subsidiaries and associated companies may also incur debt in these local currencies. Hutchison is thereby exposed to the potentially adverse impact of currency fluctuations on translation of the accounts and debts of these subsidiaries and associates and also on the repatriation of earnings, equity investments and loans. Although Hutchison actively manages its currency exposures, a depreciation or fluctuation of the currencies in which Hutchison conducts operations relative to the Hong Kong dollar could adversely affect Hutchison's financial condition and results of operations.

In 2008, the total shareholders' funds decreased as a result of the non-cash unfavorable effect of HK$38,917 million arising from the translation of the value of the net assets of an overseas subsidiary and associates and JCEs denominated in foreign currencies at December 31, 2008 exchange rates which, in the case of the rates of the Euro and British Pound against the Hong Kong dollar, were substantially lower than the rates at the end of last year.

Highly Competitive Markets

Hutchison's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect Hutchison's financial condition and results of operations. Competitive risks faced by Hutchison include:

- vertical integration of international shipping lines, who are major clients of Hutchison's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and, going forward, may not require the use of Hutchison's terminal facilities;

- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact Hutchison's pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenues it receives as a major provider of telecommunications services;

- risk of competition from entities providing alternate telecommunications technologies and potential competition in the future from technologies being developed or to be developed;

- an increasing number of developers undertaking property investment and development in the Mainland, which may result in lower returns achieved on Hutchison's property developments; and

- expected continuous significant competition and pricing pressure from retail competitors in Asia and Europe which may result in adverse financial performance of Hutchison's retail operations.

Strategic Partners

Hutchison conducts some of its businesses through non-wholly-owned subsidiaries, associates and JCEs in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with Hutchison in the future or that Hutchison will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and associated companies and the markets in which they operate. Furthermore, other investors in Hutchison's non-wholly-owned subsidiaries and associated companies may undergo a change of control or financial difficulties, which may affect Hutchison's financial condition and results of operations.

Impact of National, EU and International Law and Regulatory Requirements

As a global business, Hutchison is exposed to local business risks in several different countries, which could have an adverse effect on its financial condition or results of operations. Hutchison operates in many countries around the world, and one of its strategies is to expand outside its traditional market in Hong Kong. Hutchison is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the national or international level, such as those required by the European Union ("EU") or the World Trade Organization ("WTO"). These include:

- changes in tariffs and trade barriers;

- changes in taxation regulations and interpretations;

- competition (anti-trust) laws applicable to all of Hutchison's activities, including the regulation of monopolies and the conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and laws requiring the approval of certain mergers, acquisitions and joint ventures which could restrict Hutchison's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions;

- delays in the process of obtaining or maintaining licenses, permits and governmental approvals necessary to operate certain businesses, particularly certain of Hutchison's infrastructure businesses and certain of its joint ventures in the Mainland;

- telecommunications and broadcasting regulations; and

- environmental laws and regulations.

See "Operations — Telecommunications — **3** Group — Regulation — European Union Regulation" for a discussion of the EU regulatory framework applicable to Hutchison's **3** Group businesses. There can be no assurance that the European institutions and/or the regulatory authorities of the EU member states in which the **3** Group operates will not make decisions or interpret and implement the EU or national regulations in a manner that does not adversely affect Hutchison's financial condition and results of operations in the future.

Hutchison's overall success as a global business depends, in part, upon its ability to succeed in differing economic, social, regulatory and political conditions. There can be no assurance that Hutchison will continue to succeed in developing and implementing policies and strategies that are effective in each location where it does business.

Hong Kong and the Mainland

Hutchison is a Hong Kong corporation and a significant portion of its operations are conducted in Hong Kong. As a result, Hutchison's financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly the Mainland.

As of July 1, 1997, Hong Kong ceased to be a Crown Colony of the UK and became a Special Administrative Region of the PRC. Although the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of Hong Kong provide that Hong Kong will have a high degree of legislative, judicial and economic autonomy, there can be no assurance that Hutchison's financial condition and results of operations will not be adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland's trading relationships with other countries have from time to time adversely affected the Hong Kong economy and property market.

Hutchison currently has investments in many joint venture companies in the Mainland. Hutchison could decide to invest considerable capital resources to enter various markets in the Mainland. The value of Hutchison's investments in the Mainland may be adversely affected by significant political, social or legal uncertainties in the Mainland. The Chinese government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Chinese economy and could discourage foreign investment.

Future Growth

Hutchison continues to cautiously expand the scale and geographic spread of its established businesses through investment in organic growth and by selective acquisitions. Success of such acquisitions will depend, among other things, on the ability of Hutchison to realize the expected synergies, cost savings and growth opportunities upon integration of the acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the acquired businesses successfully and thereby achieve the expected financial benefits, may not adversely affect Hutchison's financial condition and results of operations.

Controlling Shareholder

Approximately 49.9% of the issued share capital of Hutchison was held by certain subsidiaries of Cheung Kong Holdings as of December 31, 2008. Cheung Kong Holdings is also listed on the SEHK, and was the sixth largest company listed on the Main Board of such exchange in terms of market capitalization as of February 27, 2009 (with a market capitalization of approximately HK$162,648 million as of March 31, 2009). In addition, as of December 31, 2008, (i) approximately 1.15% of the issued share capital of Hutchison was held by companies in which Mr. Li Ka-shing, the Chairman of Hutchison, is entitled to exercise or control the exercise of one third or more of the voting power at their general meetings and (ii) approximately 0.27% of the issued share capital of Hutchison was held by a unit trust and all the units of such trust are held by discretionary trusts, the issued share capital of the trustees of such unit trust and discretionary trusts being owned as to one third or more by a holding company, the issued share capital of which is in turn owned as to one third by each of Mr. Li Ka-shing, the Chairman of Hutchison, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard. Mr. Li Ka-shing is also the Chairman of Cheung Kong Holdings and each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard owns one third of the issued share capital of a holding company which in turn owns one third or more of the issued share capital of the trustees in a certain trust structure that controls companies that together hold approximately 37.04% of the issued capital of Cheung Kong Holdings as of December 31, 2008. In addition, as of December 31, 2008, approximately 3.20% of the issued share capital of Cheung Kong Holdings was held by a company in which Mr. Li Ka-shing is entitled to exercise or control the exercise of one third or more of the voting power at its general meetings.

Although Hutchison believes that its relationship with Cheung Kong Holdings provides it with significant business advantages, the relationship results in various related party, or "connected", transactions. Cheung Kong Holdings is a connected person of Hutchison for the purposes of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and accordingly any transactions entered into between Hutchison and/or subsidiaries of Hutchison and Cheung Kong Holdings, its subsidiaries or associates thereof are connected transactions which, unless one of the exemptions is available or relevant waivers applied for and granted, will be subject to the relevant requirements of Chapter 14A of the Listing Rules. These requirements include the issuance of certain press notices, the inclusion of certain disclosure in annual reports and accounts, and the obtaining of independent shareholders' approval at general meetings, the obtaining of which cannot be assured.

Holding Company Structure and Structural Subordination

The Issuer is a wholly-owned subsidiary of Hutchison and its primary purpose is to act as a financing subsidiary of Hutchison. The Guarantee is solely an obligation of the Guarantor. The Guarantor is primarily a holding company and its ability to make payments to holders of the notes pursuant to the Guarantee in respect of the notes depends largely upon the receipt of dividends, distributions, interest or advances from its wholly or partially owned subsidiaries and associated companies. The ability of the subsidiaries and associated companies of the Guarantor to pay dividends may be subject to applicable laws. Payments on the notes are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer) and associated companies and these subsidiaries had an aggregate of HK$101,382 million (US$12,998 million) of debt outstanding as of December 31, 2008. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the notes seeking to enforce the Guarantee. The Terms and Conditions of the notes do not contain any restrictions on the ability of the Issuer, Hutchison or its subsidiaries to incur additional indebtedness.

No Prior Market for the Notes

The notes are a new issue of securities for which there is currently no trading market. If the notes are traded after they are issued, they may trade at a discount from their initial offering price, depending on many factors, including prevailing interest rates, the market for similar securities, general economic conditions, and Hutchison's financial condition, performance and prospects. Although application will be made to the SGX-ST for permission to deal in and the listing of the notes, Hutchison cannot guarantee that the application to the SGX-ST will be approved or that such listing will be maintained, or that, if listed, a liquid trading market will develop or continue. If an active trading market for the notes does not develop or continue, the market price and liquidity of the notes may be adversely affected. The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be unduly burdensome.

Impact of New Accounting Standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is continuing its policy of issuing HKFRS and interpretations which fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on Hutchison's financial position and results of operations.

Differences between Hong Kong Financial Reporting Standards and U.S. GAAP

The audited consolidated financial statements included in this offering memorandum are prepared and presented in accordance with HKFRS. Significant differences exist between HKFRS and accounting principles generally accepted in the United States ("U.S. GAAP") which might be material to the financial information contained herein. Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures, which Hutchison has not made, required by U.S. GAAP. Hutchison has made no attempt to prepare a complete reconciliation of Hutchison's consolidated financial statements and related footnote disclosures between HKFRS and U.S. GAAP nor to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Hutchison, the Issuer, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how these differences might affect the financial information herein. See "Summary of Certain Differences between Hong Kong Financial Reporting Standards and U.S. GAAP".

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in the PRC, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of the affected countries. Since then, there had also been media reports regarding the spread of the H5N1 virus or "Avian Influenza A" among birds, poultry and in some cases, transmission of Avian Influenza A virus from animals to human beings.

There can be no assurance that there will not be another significant global outbreak of a severe communicable disease. If such an outbreak were to occur, it may have an adverse impact on the operations of Hutchison's financial position and results of operations may be significantly adversely affected.

Natural Disasters

Some of Hutchison's assets and projects, and many of Hutchison's customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt Hutchison's business and materially and adversely affect Hutchison's financial condition and results of operations. For example, the Mainland experienced a severe earthquake that caused significant property damage and loss of life in 2008.

Although Hutchison has not experienced any major structural damage to development projects or ports or other facilities from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to Hutchison's development projects or ports or other facilities on the general supporting infrastructure facilities in the vicinity, which could adversely effect Hutchison's financial condition and results of operations.

Further Issuance of Securities

The Issuer may from time to time and without prior consultation of the holders of the notes create and issue further notes (see "Description of the Notes and the Guarantee — Further Issues") or otherwise raise additional capital through such means and in such manner as Hutchison may consider necessary. There can be no assurance that such future issuance or capital raising activities will not adversely affect the market price of the notes.

USE OF PROCEEDS

The net proceeds of the sale of the notes after deducting commissions will be approximately US$1,489,890,000 and will be initially advanced by the Issuer to Hutchison. Hutchison intends to use the net proceeds of the offering to refinance certain indebtedness, including recourse or non-recourse indebtedness owed by subsidiaries of Hutchison, indebtedness falling due in the near term and indebtedness which would provide an economic benefit upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditure and investments in Hutchison's core business activities. In the event that Hutchison determines not to use certain of the proceeds for this purpose, such proceeds will be used for general corporate purposes, including the funding of capital expenditure.

EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the Hong Kong dollar has been officially linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The link is supported by an agreement between Hong Kong's three banknote-issuing banks and the Hong Kong government pursuant to which banknotes issued by such banks are backed by certificates of indebtedness purchased by such banks from the Hong Kong Government Exchange Fund with U.S. dollars at the fixed exchange rate of HK$7.80 to US$1.00 and held as cover for the banknotes issued. When banknotes are withdrawn from circulation, the issuing bank surrenders certificates of indebtedness to the Hong Kong Government Exchange Fund and is paid the equivalent amount in U.S. dollars at the fixed rate of exchange. The agreement does not have a fixed term, and the Hong Kong government has not announced any plans to change the link. Hong Kong's three banknote-issuing banks are The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market, although the Hong Kong government, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. The market exchange rate has not deviated significantly from the rate of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the HK dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link within the range of HK$7.75 to HK$7.85 per U.S. dollar or at all, or will not in the future impose exchange controls. Exchange rates between the Hong Kong dollar and other currencies are influenced by the exchange rate between the U.S. dollar and such currencies. On March 27, 2009, the Noon Buying Rate was HK$7.7500 = US$1.00. This offering memorandum also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB"), Cayman Islands dollar ("C.I.$") and certain other currency amounts. The following table sets forth the average, high, low and period-end Noon Buying Rate between Hong Kong dollars and U.S. dollars (in Hong Kong dollars per U.S. dollar) for the periods indicated.

	Hong Kong Dollars/U.S. Dollars Noon Buying Rate			
Year Ended December 31,	Average[(1)]	High	Low	Period End
2003	7.7864	7.7085	7.8001	7.7640
2004	7.7899	7.7632	7.8010	7.7723
2005	7.7755	7.7514	7.7999	7.7533
2006	7.7685	7.7506	7.7928	7.7771
2007	7.8008	7.7497	7.8289	7.7984
2008	7.7814	7.7497	7.8159	7.7499
2009 (through March 27)	7.7532	7.7618	7.7497	7.7500

(1) The average of the Noon Buying Rates on the last day of each month (or a portion thereof) during the period.

Source: Federal Reserve Bank of New York for years up to and including 2008, and the H.10 statistical release of the Federal Reserve Board for 2009.

THE ISSUER

The Issuer, a wholly-owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on May 26, 2008. Its registered office is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-211279. The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly-owned subsidiary of the Guarantor as long as the notes are outstanding and will advance the net proceeds of the notes to Hutchison and/or its subsidiaries. The Issuer has no material assets.

The directors of the Issuer are as follows:

Name	Position
CHOW WOO Mo Fong Susan	Director
Frank John SIXT	Director
Edmond Wai Leung HO	Director
Christian Nicolas Roger SALBAING	Director
Robin SNG	Director

The business address of the directors of the Issuer for the purposes of their directorships of the Issuer is Hutchison Whampoa International (09) Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Further information on the particulars and experience of the directors of Hutchison is set forth below in "Management of Hutchison".

The objects for which the Issuer is established are set forth in clause 3 of the Issuer's Memorandum of Association (copies of which are available as described under "General Information"). The Issuer has full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

The authorized share capital of the Issuer is US$50,000, divided into 50,000 shares of US$1.00 par value each, of which one ordinary share is issued and outstanding and all of which have been fully paid.

No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this offering memorandum, the Issuer does not have any debt outstanding.

The Issuer has no subsidiaries. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under the laws of the Cayman Islands. The Issuer's non-audited financial statements are not published and are prepared only for internal purposes. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions. If the Issuer publishes any of its accounts, such published accounts of the Issuer will, in the event that and for as long as, the notes are listed on the SGX-ST and the rules of the SGX-ST so require (or for as long as the notes are listed on another stock exchange and its rules so require), be made available free of charge at the offices of the Fiscal Agent.

CAPITALIZATION OF HUTCHISON

The following table sets forth the consolidated capitalization of Hutchison as of January 30, 2009 and as adjusted to give effect to the issuance of the notes. The table has been prepared on a basis consistent with the principal accounting policies of Hutchison as set out in Hutchison's audited consolidated financial statements for the year ended December 31, 2008 that appear elsewhere herein and should be read in conjunction with such consolidated financial statements.

	Unaudited	**As of January 30, 2009**	
	Actual	As Adjusted	As Adjusted[1]
		(in millions)	
Short-term bank and other debts[2] (including current portion of long-term debt)	HK$23,006	HK$23,006	US$2,949
Long-term bank and other debts[2] (net of current portion)	HK$222,828	HK$222,828	US$28,568
Interest bearing loans from minority shareholders	HK$13,315	HK$13,315	US$1,707
Notes offered hereby[1]	—	HK$11,700	US$1,500
Total shareholders' funds[3]	HK$271,576	HK$271,576	US$34,818
Total capitalization	HK$507,719	HK$519,419	US$66,593
Total short-term bank and other debts and capitalization	HK$530,725	HK$542,425	US$69,542

(1) Translated based on an exchange rate of US$1 = HK$7.80.

(2) Short-term bank and other debts as well as long-term bank and other debts represent the principal amount and are stated before the unamortized loan facility fees and premiums or discounts relating to debts and an unrealized gain on fair value changes of interest rate swap contracts totaling approximately HK$3,542 million.

(3) Total shareholders' funds comprise ordinary shares, share premium, capital redemption reserve, exchange reserve, revaluation reserve, hedging reserve, other capital reserve and retained earnings as of December 31, 2008. The total shareholders' funds stated above includes the effect of translation of overseas subsidiary and associated companies and jointly controlled entities denominated in foreign currencies, which reduced total shareholders' funds by HK$38,917 million and before deducting the 2008 final dividend of HK$5,201 million which will be paid on May 22, 2009.

As of December 31, 2008, the authorized share capital of Hutchison was HK$1,777,717,856, divided into 5,500,000,000 ordinary shares of HK$0.25 each and 402,717,856 7-1/2% cumulative redeemable participating preference shares of HK$1.00 each, of which 4,263,370,780 ordinary shares have been issued and fully paid.

Except for the adjustments included in the table above and the loan described below, there has been no material change in the consolidated indebtedness of Hutchison since January 30, 2009 or any material change in the capitalization of Hutchison since January 30, 2009. In March 2009, a 5-year floating rate loan facility in the amount of HK$5,000 million was obtained to refinance existing indebtedness due in 2009.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF HUTCHISON

The following tables present summary consolidated financial information of Hutchison. This information should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison", the audited consolidated financial statements of Hutchison and related notes thereto and other historical financial information that appear elsewhere herein.

The summary consolidated financial information for each of the three years ended December 31, 2008, 2007 and 2006 is derived from Hutchison's audited consolidated financial statements for each of the years ended December 31, 2008 and 2007, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and the comparative consolidated financial statements of Hutchison for the year ended December 31, 2006 as shown in the audited consolidated financial statements for the year ended December 31, 2007.

Hutchison's consolidated financial statements are prepared and presented in accordance with HKFRS, issued by the Hong Kong Institute of Certified Public Accountants. Certain significant differences between HKFRS and U.S. GAAP relevant to Hutchison's consolidated financial statements are discussed in "Summary of Certain Differences Between Hong Kong Financial Reporting Standards and U.S. GAAP."

Financial statements of the Issuer have not been presented since the Issuer's primary business relates to the financing of Hutchison's operations.

The translations of HK dollar amounts into U.S. dollars were made at the rate of HK$7.80 = US$1.00.

Consolidated Profit and Loss:

	Audited	**Year Ended December 31,**		
	2006 HK$ millions (other than per share amounts)	2007 HK$ millions (other than per share amounts)	2008 HK$ millions (other than per share amounts)	2008 US$ millions (other than per share amounts)
Company and subsidiary companies:				
Revenue	183,812	218,726	235,461	30,187
Cost of inventories sold	(67,114)	(73,977)	(77,460)	(9,930)
Staff costs	(25,729)	(29,325)	(32,053)	(4,109)
3 Group telecommunications expensed customer acquisition costs	(5,494)	(5,732)	(3,457)	(443)
Depreciation and amortization	(33,091)	(38,872)	(37,447)	(4,801)
Other operating expenses	(50,860)	(56,448)	(67,300)	(8,628)
Change in fair value of investment properties	2,843	1,988	672	86
Profit (loss) on disposal of investments and others	23,290	(11,182)	3,458	443
Share of profits less losses after tax of:				
Associated companies before profit on disposal of investments and others[(1)]	11,472	12,002	12,522	1,605
Jointly controlled entities[(2)]	3,075	3,338	5,286	678
Associated company's profit on disposal of an investment and others	—	35,820	3,122	400
Profit before the following:	42,204	56,338	42,804	5,488
Interest and other finance costs[(3)]	(16,601)	(19,054)	(17,286)	(2,216)
Profit before tax	25,603	37,284	25,518	3,272
Current tax charge[(3)]	(1,560)	(2,768)	(3,444)	(442)
Deferred tax credit (charge)[(3)]	(1,417)	(1,651)	2,576	330
Profit after tax	22,626	32,865	24,650	3,160
Allocated as:				
Profit attributable to minority interests	(2,596)	(2,265)	(6,986)	(895)
Profit attributable to shareholders of the Company	20,030	30,600	17,664	2,265
Dividends	7,375	7,375	7,375	946
Earnings per share for profit attributable to	HK$4.70	HK$7.18	HK$4.14	US53.1

shareholders of the Company[4]				cents
Dividends per share	HK$1.73	HK$1.73	HK$1.73	US22.2 cents

(1) Includes shares of associated companies' change in fair value of investment properties, interest and tax

(2) Includes shares of jointly controlled entities' change in fair value of investment properties, interest and tax

(3) Amounts represent Company and subsidiary companies' respective item

(4) Earnings per share is calculated based on profit attributable to shareholders of Hutchison divided by the weighted average number of shares in issue during the reporting year

Ratios and other information:

	Year Ended December 31,		
	2006	2007	2008
Return on Average Shareholders' Funds (%)	7.7	10.5	6.1
Current Ratio	1.4	1.3	1.2
Earnings to Fixed Charges	2.5	2.9	2.4
EBITDA[1] to Fixed Charges	5.7	6.6	5.4
EBITDA[1] to Net Interest[2]	7.9	9.8	7.5
FFO[1] before net interest and other finance costs to Net Interest[2]	3.6	6.2	4.4
Net Debt/EBITDA[1]	1.6	1.0	1.7
FFO[1] /Net Debt (%)	19.8	49.9	25.6
Net Debt/Net Total Capital (%)[3]	34.0	25.9	34.1
Net Assets attributable to shareholders of Hutchison per share — Book Value (HK$)	64.2	72.7	63.7

(1) EBITDA and FFO are all stated before all customer acquisition costs in all the ratio calculations.

(2) EBITDA and FFO are adjusted for interest income in ratios calculating net interest coverage.

(3) Net debt/Net total capital ratio as of December 31, 2006 and 2007 are conformed to December 31, 2008's presentation.

Earnings	—	Represents profit before tax and fixed charges.
Fixed Charges	—	Consist of interest and other finance costs (including amounts capitalized) on all borrowings.
Net Interest	—	Fixed charges, net of interest income of Hutchison and its subsidiaries.
EBITDA	—	EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortization, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in the fair value of investment properties. Hutchison presents EBITDA in certain tables and discussions in this Offering Memorandum in addition to

other financial information because it considers EBITDA to be an important performance measure which is used in Hutchison's internal financial and management reporting to monitor business performance and it believes that EBITDA is used by many industries and investors as one measure of gross cash flow generation. EBITDA should not be considered by an investor as an alternative to cash flow as determined in accordance with generally accepted accounting principles. Hutchison's calculation of EBITDA may differ from similarly titled computations of other companies.

FFO — FFO or funds from operations is defined as EBITDA after interest expense, other finance costs, tax paid and certain other items as shown on the consolidated cash flow statement included in Hutchison's consolidated financial statements incorporated by reference herein. Hutchison's computation of FFO may differ from similarly titled computations of other companies.

Net Debt — Net debt is defined as total principal amount of bank and other debts, excluding loans from minority shareholders which are viewed as quasi equity, net of bank balances and cash equivalents, long-term deposits, managed funds and listed debt and equity securities ("total cash, liquid funds and other listed investments") as shown on the consolidated cash flow statement included in Hutchison's consolidated financial statements incorporated by reference herein.

Net Total Capital — Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from minority shareholders, net of total cash, liquid funds and other listed investments.

Consolidated Balance Sheet:

	Audited	**As of December 31,**		
	2006 HK$ millions	2007 HK$ millions	2008 HK$ millions	2008 US$ millions
ASSETS				
Non-current assets				
Fixed assets	140,181	181,342	173,246	22,211
Investment properties	41,657	43,680	41,282	5,293
Leasehold land	35,293	36,272	34,745	4,455
Telecommunications licenses	89,077	91,897	72,175	9,253

Telecommunications postpaid customer acquisition and retention costs	10,532	8,771	12,022	1,541
Goodwill	21,840	31,520	30,318	3,887
Brand names and other rights	7,582	10,901	10,486	1,344
Associated companies	74,954	75,545	76,478	9,805
Interests in joint ventures	38,507	39,725	45,865	5,880
Deferred tax assets	17,159	17,619	13,248	1,698
Other non-current assets	3,762	5,082	8,904	1,142
Liquid funds and other listed investments	66,251	69,192	30,735	3,941
	546,795	611,546	549,504	70,450
Current assets				
Cash and cash equivalents	64,151	111,307	57,286	7,344
Trade and other receivables	44,188	55,374	54,767	7,022
Inventories	22,382	20,999	18,528	2,375
	130,721	187,680	130,581	16,741
Current liabilities				
Trade and other payables	66,487	90,029	82,497	10,577
Bank and other debts	22,070	50,255	23,945	3,070
Current tax liabilities	1,629	2,336	1,275	163
	90,186	142,620	107,717	13,810
Net current assets	40,535	45,060	22,864	2,931
Total assets less current liabilities	587,330	656,606	572,368	73,381
Non-current liabilities				
Bank and other debts	260,970	260,086	234,141	30,018
Interest bearing loans from minority shareholders	12,030	12,508	13,348	1,711
Deferred tax liabilities	15,019	17,957	13,616	1,746
Pension obligations	2,378	1,468	2,541	326
Other non-current liabilities	6,368	5,929	4,586	588
	296,765	297,948	268,232	34,389
Net assets	290,565	358,658	304,136	38,992
CAPITAL AND RESERVES				
Share capital	1,066	1,066	1,066	137
Reserves	272,728	308,948	270,510	34,681
Total shareholders' funds	273,794	310,014	271,576	34,818
Minority interests	16,771	48,644	32,560	4,174
Total equity	290,565	358,658	304,136	38,992

Consolidated Cash Flow Statement:

	Audited Year Ended December 31,			
	2006[(2)] HK$ millions	2007[(2)] HK$ millions	2008 HK$ millions	2008 US$ millions
Operating activities				
Cash generated from operating activities before interest and other finance costs, tax paid, **3** Group telecommunications expensed CACs[(1)] and changes in working capital	49,096	86,406	62,838	8,056
Interest and other finance costs paid	(15,990)	(18,508)	(16,762)	(2,149)
Tax paid	(2,010)	(2,608)	(3,576)	(458)
Funds from operations before **3** Group telecommunications expensed CACs	31,096	65,290	42,500	5,449
3 Group telecommunications expensed CACs	(5,494)	(5,732)	(3,457)	(443)
Funds from operations	25,602	59,558	39,043	5,006

Changes in working capital	1,020	(4,144)	(5,171)	(663)
Net cash from operating activities	26,622	55,414	33,872	4,343
Investing activities				
Purchase of fixed assets and investment properties for established businesses	(10,895)	(13,883)	(15,643)	(2,006)
Purchase of fixed assets for **3** Group	(11,559)	(13,969)	(11,921)	(1,528)
Additions to leasehold land	(1,454)	(1,104)	(214)	(27)
Additions to telecommunications licenses	—	(86)	(384)	(49)
Additions to brand names and other rights	(1,863)	(572)	(550)	(71)
Additions to telecommunications postpaid CACs for **3** Group	(15,223)	(11,479)	(16,935)	(2,171)
Additions to telecommunications postpaid CACs for HTIL	—	(346)	(817)	(105)
Purchase of subsidiary companies	(3,759)	45,348	28	4
Purchase of minority interests	—	(706)	(6,083)	(780)
Additions to other unlisted investments	(18)	(1,120)	(67)	(9)
Repayments from associated companies and non-property jointly controlled entities	1,769	1,888	1,112	143
Purchase of and advances (including deposits) to associated companies and jointly controlled entities	(4,248)	(3,361)	(9,047)	(1,160)
Proceeds on disposal of fixed assets, leasehold land and investment properties	2,325	825	2,787	357
Proceeds on disposal of subsidiary companies	550	895	5,294	679
Proceeds on partial disposal of subsidiary companies	33,595	—	—	—
Proceeds on disposal of associated companies	—	945	6	1
Proceeds on disposal of jointly controlled entities	—	1,379	670	86
Proceeds on disposal of other unlisted investments	622	342	50	6
Proceeds on disposal of infrastructure project investments	94	66	147	19
Partner Communications Company Ltd's repurchase of its shares	—	—	(799)	(103)
Disposal of liquid funds and other listed investments	1,967	4,099	32,993	4,230
Additions to liquid funds and other listed investments	(4,205)	(1,561)	(2,550)	(327)
Cash flows from (used in) investing activities	(12,302)	7,600	(21,923)	(2,811)
Net cash before financing activities	14,320	63,014	11,949	1,532
Financing activities				
New borrowings	59,725	52,144	41,267	5,290
Repayment of borrowings	(51,747)	(59,524)	(83,729)	(10,734)
Issue of shares by subsidiary companies to minority shareholders and loans from minority shareholders	2,271	2,573	1,371	176
Dividends paid to minority shareholders	(2,760)	(3,676)	(17,504)	(2,244)
Dividends paid to shareholders	(7,375)	(7,375)	(7,375)	(946)
Cash flows from (used in) financing activities	114	(15,858)	(65,970)	(8,458)
Increase (decrease) in cash and cash equivalents	14,434	47,156	(54,021)	(6,926)
Cash and cash equivalents at January 1	49,717	64,151	111,307	14,270
Cash and cash equivalents at December 31	64,151	111,307	57,286	7,344
Analysis of cash, liquid funds and other listed investments				
Cash and cash equivalents, as above	64,151	111,307	57,286	7,344
Liquid funds and other listed investments	66,251	69,192	30,735	3,941
Total cash, liquid funds and other listed investments	130,402	180,499	88,021	11,285
Total principal amount of bank and other debts	287,513	311,279	253,884	32,549
Interest bearing loans from minority shareholders	12,030	12,508	13,348	1,711
Net debt	169,141	143,288	179,211	22,975
Interest bearing loans from minority shareholders	(12,030)	(12,508)	(13,348)	(1,711)
Net debt (excluding interest bearing loans from minority shareholders)	157,111	130,780	165,863	21,264

[1] CACs represents customer acquisition costs and contract customer retention costs.

(2) Certain comparative figures for the years ended December 31, 2006 and 2007 are conformed to December 31, 2008's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF HUTCHISON

The following discussion should be read in conjunction with the consolidated financial statements of Hutchison included elsewhere in this offering memorandum.

Overview

Hutchison is a holding company and engages in its various activities through subsidiaries, associated companies and joint ventures. It currently operates five core businesses in 54 countries over the world: ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications.

Hutchison's results of operations for 2006, 2007 and 2008 reflect (i) the overall steady growth in profitability of its core businesses excluding **3** Group ("established businesses"), (ii) continuing substantial, but reducing, losses of **3** Group, largely offset by (iii) profits on disposal of investments and others.

In 2006, Hutchison reported a profit attributable to shareholders of HK$20,030 million, which include a pre-tax profit on disposal of investments and others of HK$23,290 million and a pre-tax profit on revaluation of investment properties of HK$3,802 million. If the profits on disposal of investments and on revaluation of investment properties were excluded, the loss attributable to shareholders for 2006 would have been HK$6,442 million. In 2007, Hutchison reported a profit attributable to shareholders of HK$30,600 million, which included a pre-tax loss on disposal of investments and others of HK$11,182 million, share of an associated company's profit on disposal of an investment of HK$35,820 million and a pre-tax profit on revaluation of investment properties of HK$1,995 million. If the profits on disposal of investments and on revaluation of investment properties were excluded, the profit attributable to shareholders for 2007 would have been HK$1,766 million. In 2008, Hutchison reported a profit attributable to shareholders of HK$17,664 million, which included a pre-tax profit on disposal of investments of HK$6,580 million, a pre-tax profit on revaluation of investment properties of HK$824 million and a one-time deferred tax adjustment of HK$2,764 million. If the profits on disposal of investments and on revaluation of investment properties and the deferred tax adjustment were excluded, the profit attributable to shareholders for 2008 would have been HK$9,337 million.

The current global economic crisis is adversely affecting the global economy. Hutchison expects the negative effects of the economic crisis on its financial results to intensify in 2009 across its businesses. The ports and related services division is facing reduced global trade volumes, including in Hong Kong and Asian ports, and 2009 is expected to be a more challenging year. With respect to the property and hotels division, sustained decline in property prices will have an adverse impact on the values of Hutchison's property interests in both Hong Kong and the Mainland. In addition, average rents in Hong Kong fell in 2008 and it is forecasted that Hong Kong office rental prices will continue to fall in 2009, negatively affecting the turnover and profit of the property and hotels division. Continued low consumer spending in the UK and Western Europe may adversely affect the retail division's operations in 2009 and the impact could be greater on Hutchison's luxury perfumery business. Husky Energy's results are dependent on world oil prices and with oil prices remaining around 65% below the highest levels in 2008, Husky Energy's contribution to Hutchison is expected to be materially lower in 2009 than compared to that in 2008. Interest rates are expected to further decline and as such the finance & investments division's interest income is expected to decrease in 2009. With respect to the 3G businesses, Hutchison expects **3** Group's losses to continue to narrow from 2008 levels, reflecting a growing customer base and improving operating margins. However, there can be no assurance that Hutchison will be able to increase **3** Group's customer base or to decrease **3** Group's operating costs or customer acquisition costs enough to substantially improve **3** Group's operating margins. Accordingly, there can be no assurance that **3** Group's operating losses will be reduced in the near term. **3** Group's disposal of investments is entirely discretionary and there can be no assurance that Hutchison will continue to generate profit from such disposals in the future. If **3** Group's losses in Hutchison's 3G businesses continue, and profit recognized from disposals of investments is reduced, Hutchison may report losses attributable to shareholders in future periods.

While Hutchison will maintain discretionary spending across its business lines, given the current global economic environment, Hutchison plans to cautiously expand its business mainly through organic growth and will incur capital expenditures only as needed to support such growth.

Trends

Turnover

The following table shows Hutchison's turnover (including share of associates and JCEs) by business divisions for the years indicated. The percentage columns show the contribution of each division towards Hutchison's turnover.

	Audited	**Year Ended December 31,**				
	2006		2007		2008	
	HK$ millions	%	HK$ millions	%	HK$ millions	%
Ports and related services	33,041	12.4%	37,891	12.3%	39,594	11.4%
Property and hotels	10,717	4.0%	9,551	3.1%	10,467	3.0%
Retail	99,149	37.0%	110,007	35.6%	118,487	34.0%
Cheung Kong Infrastructure	14,822	5.5%	17,251	5.6%	19,868	5.7%
Husky Energy	29,981	11.2%	39,781	12.9%	63,350	18.2%
Finance & investments	5,118	1.9%	5,511	1.8%	4,303	1.2%
Hutchison Telecommunications International	16,672	6.2%	20,779	6.7%	24,677	7.1%
Others	7,496	2.8%	8,095	2.6%	7,247	2.1%
3 Group	50,668	19.0%	59,909	19.4%	60,372	17.3%
Total	267,664	100.0%	308,775	100.0%	348,365	100.0%

Hutchison's turnover increased from HK$267,664 million in 2006 to HK$308,775 million in 2007 and HK$348,365 million (US$44,662 million) in 2008.

- **Ports and Related Services** Turnover from the division increased from HK$33,041 million in 2006 to HK$37,891 million in 2007, mainly due to a 12% annual throughput growth as well as a full year contribution from TERCAT in Barcelona, Spain, acquired in the third quarter of 2006. Turnover increased to HK$39,594 million (US$5,076 million) in 2008, mainly due to throughput-driven revenue growth in Panama, Indonesia, Saudi Arabia and Rotterdam in the Netherlands, as well as the first full year revenue contribution from the Phase 1A expansion at the port of Lazaro Cardenas in Mexico.

- **Property and Hotels** Turnover from the division decreased from HK$10,717 million in 2006 to HK$9,551 million in 2007, mainly due to lower sales activities as a result of the deferral in the completion and sales of various property development projects in the Mainland, partially to take advantage of lower taxation rates that became effective from January 1, 2008. Turnover in 2008 increased to HK$10,467 million (US$1,342 million), mainly due to higher sales proceeds from property development projects in the Mainland and higher rental income from investment properties in Hong Kong and the Mainland.

- **Retail** The division is the largest single contributor to turnover accounting for 37.0% of the total in 2006, 35.6% of the total in 2007 and 34.0% of the total in 2008. Turnover from the division increased from HK$99,149 million in 2006 to HK$110,007 million in 2007, mainly due to the first full year turnover contribution from the Ukraine operation in 2007 as well as the increased turnover from the health and beauty operations in Asia and certain Eastern European countries, as well as the luxury perfumeries and cosmetics operations in Europe. Turnover increased to HK$118,487 million (US$15,191 million) in 2008, mainly due to increased sales from the retail operations in Hong Kong, the health and beauty operations in Asia and the Benelux countries, and the joint ventures with Rossmann in Eastern Europe and Germany, partially offset by lower results from the UK operations.

- **CKI** Turnover from CKI increased from HK$14,822 million in 2006 to HK$17,251 million in 2007, mainly due to increased contributions from Hongkong Electric, energy investments in Australia and the Mainland as well as the gas operation in the UK. Turnover increased to HK$19,868 million (US$2,547 million) in 2008, mainly due to increased contributions from Hongkong Electric, infrastructure material and energy investments in the Mainland, energy investments in Australia and the gas operation in the UK, as well as the new revenue contributions from TransAlta Power, Southern Water and Wellington Electricity Distribution Networks, which were acquired in December 2007, December 2007 and July 2008 respectively.

- **Husky Energy** Turnover from Husky Energy increased from HK$29,981 million in 2006 to HK$39,781 million in 2007, mainly due to higher crude oil prices and increased production volumes. Turnover increased to HK$63,350 million (US$8,122 million) in 2008, mainly due to higher crude oil prices in the first half of 2008 and new contributions from the refinery at Lima and Toledo, Ohio from July 1, 2007 and April 1, 2008 respectively, partially offset by the substantial decline in crude oil price in the second half of 2008.

- **Finance & Investments** Turnover from the division mainly represents the return earned on Hutchison's holdings of cash and liquid investments. The turnover of the division increased slightly from HK$5,118 million in 2006 to HK$5,511 million in 2007, mainly due to increased returns from the higher average cash balance and managed fund balance. Turnover decreased to HK$4,303 million (US$552 million) in 2008, mainly due to lower returns from cash and managed funds primarily as a result of lower effective market interest rates and lower average cash and managed funds balances.

- **HTIL** Turnover from HTIL increased from HK$16,672 million in 2006 to HK$20,779 million in 2007, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards (HTIL being an associate of Hutchison following Hutchison's disposal of a 19.3% interest in HTIL to a strategic partner at the end of 2005), when following on-market purchases, Hutchison's holding in HTIL increased to over 50%. Turnover increased to HK$24,677 million (US$3,164 million) in 2008, mainly due to the full year turnover of HTIL being consolidated by Hutchison in 2008, partially offset by the loss of revenue after the disposal of CGP, which held indirect interests in the Indian mobile operations, in May 2007.

- **Others** Turnover from this division mainly comprises Hutchison's share of the results of Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary HHR and listed associate TOM Group. The turnover of this division increased from HK$7,496 million in 2006 to HK$8,095 million in 2007, mainly due to higher turnover contribution from the newly acquired detergent business of Hutchison China and the overall higher turnover from HHR's manufacturing operations in 2007. Turnover decreased to HK$7,247 million (US$929 million) in 2008, mainly due to lower turnover contribution from the manufacturing operations of HHR in 2008.

- **3 Group** Turnover from the division was HK$50,668 million in 2006, HK$59,909 million in 2007 and HK$60,372 million (US$7,740 million) in 2008, mainly due to an enlarged customer base and continued growth of higher-margin non-voice revenues.

EBIT

The following table shows Hutchison's EBIT (LBIT), including share of associates and JCEs, by business divisions (presented before the change in fair value of investment properties and profit on disposal of investments and others) for the years indicated. The percentage columns show the contribution of each division towards Hutchison's EBIT. The EBIT contribution percentages of each division will be different from its turnover contribution percentages due to the different EBIT margins of each division. The contribution percentages of each division will vary from year to year due to different rates of growth.

		Audited	**Year Ended December 31,**			
	2006		2007		2008	
	HK$ millions	%	HK$ millions	%	HK$ millions	%
Ports and related services	11,395	22.4%	12,849	20.0%	13,236	25.4%
Property and hotels	5,667	11.1%	4,060	6.3%	8,087	15.5%
Retail	2,720	5.3%	3,711	5.8%	4,374	8.4%
Cheung Kong Infrastructure	6,136	12.1%	7,353	11.4%	7,404	14.2%
Husky Energy	8,305	16.3%	10,523	16.4%	13,316	25.5%
Finance & investments	6,495	12.8%	13,944	21.7%	6,467	12.4%
Hutchison Telecommunications International	2,648	5.2%	3,218	5.0%	3,506	6.7%
Others	425	0.8%	(93)	(0.1)%	(791)	(1.5)%
3 Group	(19,996)	(39.3)%	(17,938)	(27.9)%	(10,857)	(20.8)%
Change in fair value of investment properties	3,802	7.5%	1,995	3.1%	824	1.6%
Profit on disposal of investments and others	23,290	45.8%	24,638	38.3%	6,580	12.6%
Total	50,887	100.0%	64,260	100.0%	52,146	100.0%

Hutchison's EBIT increased from HK$50,887 million in 2006 to HK$64,260 million in 2007, and decreased to HK$52,146 million (US$6,685 million) in 2008.

- **Ports and Related Services** EBIT from the division was HK$11,395 million in 2006, HK$12,849 million in 2007 and HK$13,236 million (US$1,697 million) in 2008. The EBIT increase from 2006 to 2007 was mainly due to a 12% annual throughput growth, as well as a full year EBIT contribution from TERCAT in the Barcelona in 2007, partially offset by lower EBIT from Kwai Tsing terminals in Hong Kong due to tariff pressure and increased capacity in the region. The EBIT increase in 2008 was mainly due to EBIT growth in port operations in Rotterdam in the Netherlands, Panama and Barcelona in Spain, partially offset by lower EBIT in Yantian port in the Mainland and Kwai Tsing terminals in Hong Kong.

- **Property and Hotels** EBIT from the division was HK$5,667 million in 2006, HK$4,060 million in 2007 and HK$8,087 million (US$1,037 million) in 2008. EBIT in 2007 declined, mainly due to lower sales activities as a result of the deferral in the completion and sales of various property development projects in the Mainland, partially to take advantage of lower taxation rates that became effective from January 1, 2008. EBIT increased in 2008, mainly due to increased rental income from investment properties in Hong Kong and the Mainland, increased development profits, as well as a gain on disposal of an investment property of HK$2,141 million (US$274 million).

- **Retail** EBIT from the division was HK$2,720 million in 2006, HK$3,711 million in 2007 and HK$4,374 million (US$561 million) in 2008. EBIT improved in 2007, mainly due to a focus on integration and streamlining of its operations. In addition, Marionnaud and the health and beauty businesses in the UK and the Benelux countries incurred non-recurring restructuring charges in 2006. EBIT increased in 2008, mainly due to EBIT growth in retail operations in Hong Kong, health and beauty operations in Asia and the Benelux countries and the joint ventures with Rossmann in Eastern Europe and Germany, partially offset by lower results in the UK.

- **CKI** EBIT from CKI was HK$6,136 million in 2006, HK$7,353 million in 2007 and HK$7,404 million (US$949 million) in 2008. EBIT improved in 2007, mainly due to increased contributions from Hongkong Electric, higher profit shares from its existing energy investments in Australia and the Mainland as well as the gas operation in the UK. EBIT increased slightly in 2008, mainly due to increased contributions from Hongkong Electric, energy investments in the Mainland, energy investments in Australia, the gas operation in the UK, new contributions from the newly acquired TransAlta Power, Southern Water and Wellington Electricity Distribution Networks, partially offset by the mark-to-market adjustment arising from fluctuations in currency and financial markets in 2008.

- **Husky Energy** EBIT from Husky Energy was HK$8,305 million in 2006, HK$10,523 million in 2007 and HK$13,316 million (US$1,707 million) in 2008. The EBIT increase in 2007 was mainly due to higher production and crude oil prices. EBIT increased in 2008, mainly due to higher crude oil prices in the first half of 2008 and new contributions from the refinery at Lima and Toledo, Ohio from July 1, 2007 and April 1, 2008 respectively, partially offset by the significant decline in crude oil prices in the second half of 2008.

- **Finance & Investments** EBIT from the division mainly represents the return earned on the holdings of cash and liquid investments. EBIT was HK$6,495 million in 2006 and HK$13,944 million in 2007. The EBIT increase in 2007 was mainly due to higher profits on disposal of certain equity investments in 2007 of HK$9,754 million. EBIT decreased to HK$6,467 million (US$829 million) in 2008, mainly due to lower profits on disposal of certain listed equity investments in 2008 of HK$2,084 million (US$267 million).

- **HTIL** EBIT from HTIL increased from HK$2,648 million in 2006 to HK$3,218 million in 2007, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards after a greater than 50% ownership was reached, as well as an improvement in the performance of Israel, Hong Kong and certain other operations. EBIT increased to HK$3,506 million (US$449 million) in 2008, mainly due to the full year EBIT of HTIL being consolidated by Hutchison from June 2007 onwards, inclusion of contributions from certain suppliers in relation to HTIL's Indonesian operations, largely offset by its start-up operating loss for the year, expenses incurred in relation to the network conversion from CDMA to GSM in the start-up operation in Vietnam and loss of contribution after the disposal of CGP in May 2007.

- **Others** EBIT from this division mainly represents Hutchison's share of the results of Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary HHR and listed associate TOM Group. LBIT for 2007 was HK$93 million, compared to EBIT of HK$425 million in 2006, which included a dilution gain of HK$307 million realized on the initial public offering of Chi-Med on the Alternative Investment Market of the London Stock Exchange in 2006. LBIT increased to HK$791 million (US$101 million) in 2008, mainly due to higher impairment provisions for the Internet business of TOM Group and lower results of the manufacturing operations of HHR in 2008.

• **3 Group** LBIT from the division was HK$19,996 million in 2006, HK$17,938 million in 2007 and HK$10,857 million (US$1,392 million) in 2008. The continuous improvement in LBIT was mainly attributed to improved gross margins, improved churn, stringent controls over operating costs, reduced spend on acquiring lower ARPU prepaid customers, lower depreciation charges and reduced amortization of capitalized contract CACs. This was partially offset by the declining performance of the Italian operation which was mainly due to the effects of changes in the regulatory regime and the competitive environment in the Italian telecommunications industry. Included in LBIT for 2008 was the non-recurring foreign exchange gains totaling HK$2,945 million (US$378 million) arising from the Group's refinancing of certain non-Sterling and non-Euro borrowings with Sterling and Euro bank loans to create a natural currency hedge against assets denominated in Sterling and Euro. Non-recurring foreign exchange gains in 2007 totaled HK$1,898 million.

• Change in fair value of investment properties was an increase in value of HK$3,802 million in 2006 and HK$1,995 million in 2007 and HK$824 million (US$106 million) in 2008.

• Hutchison's profits on disposal of investments and others before tax and minority interests was HK$23,290 million in 2006, HK$24,638 million in 2007 and HK$6,580 million (US$844 million) in 2008. Details of profits on disposal of investments and others included in EBIT are further discussed in the section on results of operations of respective years.

Critical Accounting Policies

The preparation of accounts often requires the use of judgments 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. Hutchison bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

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

(a) Long-lived assets

Hutchison has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed-line telecommunications networks and licenses, 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.

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

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

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

Hutchison's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as of December 31, 2008 and December 31, 2007 to assess whether the carrying values of Hutchison's 3G telecommunications licenses and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as of December 31, 2008 and December 31, 2007 indicated that no impairment charge was necessary.

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

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast, driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimization and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale that can be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customers when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront license payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

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

(b) Depreciation and amortization

(i)
Fixed assets
Depreciation of operating assets constitutes a substantial operating cost for Hutchison. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. Hutchison periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.
Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii)
Telecommunications licenses
Telecommunications licenses comprise the right to use spectrum and the right to provide a telecommunications service. Telecommunications licenses are amortized on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected license periods and are stated net of accumulated amortization.
The actual economic lives of Hutchison's telecommunications spectrum licenses may differ from the current contracted or expected license periods, which could impact the amount of amortization expense charged to profit and loss account.

(iii)
Telecommunications customer acquisition and retention costs

Net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers, pursuant to contract with early termination penalty clauses are capitalized and amortized over the period that the penalties apply (the period of contractual control) which is generally a period of 12 to 24 months. In the event that a customer churns off the network within the contractual control period, any unamortized customers' acquisition and retention costs are written off in the period in which the customers churn.
Net costs to acquire prepaid mobile telecommunications customers and net costs to acquire or retain contract customers pursuant to contracts without early termination penalty clauses are both expensed in the period incurred.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of Hutchison's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment tests described above. The results of the tests undertaken as of December 31, 2008 and December 31, 2007 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five-year-financial budgets approved by management and estimated terminal value at the end of the five-year-period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realized for the estimated terminal value. Hutchison prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industries' growth or Hutchison's expectation of these businesses' performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 11%. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held to earn rentals or for capital appreciation or both. Such properties are carried in the balance sheet at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgment is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in profit and loss account.

(e) Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts.

Deferred tax assets are recognized for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognized. 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 realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and charged to profit and loss account.

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognized for the carryforward amount of unused tax losses relating to Hutchison's 3G operation in the UK where, among other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilized to offset taxable profits generated by Hutchison's other operations in the UK. No deferred tax assets have been recognized for the unused tax losses carried forward by Hutchison's other 3G operations since there are less opportunities to utilize the tax losses in the near term; for instance, unlike the UK, there is no opportunity for group relief and in certain countries, tax losses will expire if not utilized within a short period of time e.g. tax losses in Italy will expire if not utilized within 5 years. The ultimate realization of deferred tax assets recognized for **3** UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognized to be reduced and charged to profit and loss account if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgment 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.

Hutchison is subject to income taxes in numerous jurisdictions. Significant judgment 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. Hutchison recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Pension costs

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

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

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

(g) Sale and leaseback transactions

Hutchison classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 1(w) of its 2008 accounts. Determining whether a lease transaction is a finance lease or an operating lease requires judgment as to whether the lease arrangement transfers substantially all the risks and rewards of ownership to or from Hutchison. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as finance lease or operating lease determines whether the leased asset is capitalized and recognized on the balance sheet as set out in note 1(w) of its 2008 accounts. 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 recognized. It is either deferred and amortized (finance lease) or recognized in profit and loss account immediately (operating lease).

2008 Compared to 2007

Turnover and EBIT in this section include share of associates and JCEs as per the above tables.

Overview

Turnover for 2008 increased HK$39,590 million (US$5,076 million), or 13%, compared to 2007, mainly reflecting increased turnover in all core businesses, except in the finance & investments and others division as a result of lower average balances impacting on the return of existing cash and managed funds portfolio.

EBIT for 2008 decreased HK$12,114 million (US$1,553 million), or 19%, compared to 2007. All Hutchison's divisions, other than the finance & investments and others divisions, reported a higher EBIT as compared to 2007. Lower total EBIT was mainly due to lower profits on property revaluation and disposals of investments in 2008 as compared to 2007 of HK$7,404 million and HK$26,633 million, respectively. Excluding the change in fair value of investment properties and the profits on disposal of investments for both years, EBIT for 2007 and 2008 were HK$37,627 million and HK$44,742 million respectively.

Included in EBIT, profit on disposal of investments totaling HK$6,580 million (US$843 million) consisted of:

- Hutchison's share of Husky Energy's gain on partial disposal in a resource property of HK$3,122 million (US$400 million);
- Gain on disposal of minority equity interests in certain ports to strategic partners of HK$2,037 million (US$261 million); and
- Profits on disposal of telecommunications tower assets in Indonesia of HK$1,421 million (US$182 million).

In 2007, profit on disposal of investments totaling HK$24,638 million consisted of:

- Hutchison's share of HTIL's gain on disposal of CGP of HK$35,820 million;
- Profit of HK$1,119 million from disposal of **3** UK's wholesale fixed line business;
- Deemed dilution profit of HK$955 million arising from HTAL's restructuring with a minority shareholder;
- HTIL's full provision of HK$3,854 million for its investment in the mobile business in Thailand;
- Provisions for two CKI transportation infrastructure projects, in Australia and the Mainland of HK$1,513 million;
- Write off of certain **3** Group capitalized CACs and intangible content and other rights of HK$4,608 million;
- Provisions of HK$3,281 million for **3** UK's and **3** Italia's regulatory and carrier interconnection disputed receivables; and
- Gain of HK$19,788 million arising from a network sharing arrangement whereby **3** UK obtains a right to share another UK operator's mobile network, fully offset by a one-time provision of HK$19,788 million for related costs to restructure its network infrastructure.

Finance costs for 2008 decreased HK$1,768 million (US$227 million), or 9%, compared to 2007, mainly due to lower market interest rates in 2008 and a lower average loan balance following certain loan repayments in the second half of 2008.

Taxation charge for 2008 decreased HK$3,551 million (US$455 million), or 80%, compared to 2007, mainly due to a HK$2,764 million (US$354 million) write back of deferred tax liabilities provision that had been made in previous years in respect of potential dividend withholding tax on undistributable profits, and lower deferred tax charge provided for disposal of investments in 2008, as compared to 2007, partially offset by increased profits from the property and hotels division in 2008.

Minority interests for 2008 increased HK$4,721 million (US$605 million), or 208%, compared to 2007, mainly due to certain minority shareholders' proportionate share of the gain on disposal of minor equity interests in certain ports by the ports division, gain on disposal of telecommunications tower assets by HTIL, and gain on disposal of an investment property in 2008, as well as share of full provision for investment in mobile business in Thailand by minority shareholders of HTIL in 2007.

The profit attributable to shareholders for 2008 decreased by 42% from HK$30,600 million in 2007 to HK$17,664 million (US$2,265 million) in 2008. Excluding profits on property revaluation and disposals of investments and the one-time deferred tax adjustment mentioned above, profit attributable to shareholders for 2008 increased 429% from 2007.

Ports and Related Services

Turnover of the ports and related services division for 2008 increased HK$1,703 million (US$218 million), or 4%, compared to 2007, primarily due to a 2% increase in annual throughput to 67.6 million TEUs. Major contributors to throughput growth included Westports in Klang, Malaysia; Panama ports container terminals in Panama; Jakarta ports container terminals in Indonesia; International Ports Services in Saudi Arabia; together with the first full year contribution from the Phase IA at the port of Lazaro Cardenas in Mexico as well as the first full year contribution from Alexandria International Container Terminals' two container facilities in Egypt, which commenced operation in March and June 2007, respectively. The throughput growth mentioned above was partially offset by declining exports from the Mainland in the latter part of 2008, as well as competition for customers in a slowing global export and import environment.

EBIT for 2008 increased HK$387 million (US$50 million), or 3%, compared to 2007. The major EBIT growth contributors were port operations in Rotterdam, Panama and Barcelona, partially offset by lower EBIT in Yantian port in the Mainland and Kwai Tsing terminals in Hong Kong.

Property and Hotels

Turnover of the property and hotels division for 2008 increased HK$916 million (US$117 million), or 10%, compared to 2007, mainly due to higher sales proceeds from property development projects in the Mainland and higher rental income from investment properties in Hong Kong and the Mainland, reflecting higher lease renewal rates in 2008. Gross rental income from the investment properties, including Hutchison's share of associates' and JCEs' rental income, grew 12% to HK$3,399 million (US$436 million) in 2008.

EBIT for 2008 increased HK$4,027 million (US$516 million), or 99%, compared to 2007, primarily due to increased rental income from investment properties in Hong Kong and the Mainland, reflecting higher lease renewal rates, higher development profits and also a gain on disposal of an investment property.

Retail

Turnover of the retail division for 2008 increased HK$8,480 million (US$1,087 million), or 8%, compared to 2007, mainly due to increased sales from the retail operations in Hong Kong, the health and beauty operations in Asia and the Benelux countries, and the joint ventures with Rossmann in Eastern Europe and Germany, partially offset by lower results from the UK.

EBIT for 2008 increased HK$663 million (US$85 million), or 18%, compared to 2007, primarily due to EBIT growth in retail operations in Hong Kong, the health and beauty operations in Asia and the Benelux countries, and the joint ventures with Rossmann in Eastern Europe and Germany, partially offset by lower results from the UK.

Cheung Kong Infrastructure

Turnover of CKI for 2008 increased HK$2,617 million (US$336 million), or 15%, compared to 2007, mainly due to increased contributions from Hongkong Electric, infrastructure materials and energy investments in the Mainland, energy investments in Australia and the gas operation in the UK, as well as the new revenue contributions from TransAlta Power, Southern Water and Wellington Electricity Distribution Networks, which were acquired in December 2007, December 2007 and July 2008, respectively.

EBIT for 2008 increased HK$51 million (US$7 million), or 1%, compared to 2007, mainly due to increased contributions from Hongkong Electric, energy investments in the Mainland, energy investments in Australia, the gas operation in the UK, and new contributions from the newly acquired TransAlta Power, Southern Water and Wellington Electricity Distribution Networks, partially offset by the mark-to-market adjustment arising from fluctuations in currency and financial markets in 2008.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for 2008 increased HK$23,569 million (US$3,022 million), or

59%, compared to 2007, mainly due to higher crude oil prices in the first half of 2008 and new contributions from the refinery at Lima and Toledo, Ohio from July 1, 2007 and April 1, 2008, respectively, partially offset by the substantial decline in crude oil prices in the second half of 2008.

EBIT for 2008 increased HK$2,793 million (US$358 million), or 27%, compared to 2007, mainly due to higher crude oil prices in the first half of 2008 and new contributions from the refinery at Lima and Toledo, Ohio from July 1, 2007 and April 1, 2008, respectively, partially offset by the substantial decline in crude oil prices in the second half of 2008. Despite growth in 2008 compared to 2007, Husky Energy's financial performance in the fourth quarter of 2008 was significantly affected by the economic environment and the decline in oil prices. This impacted Husky Energy's upstream business through lower prices and its U.S. downstream business through reduction in inventory values and lower refining crack spreads.

Finance & Investments

Turnover of the finance & investments division for 2008 decreased HK$1,208 million (US$155 million), or 22%, compared to 2007, mainly due to lower returns from cash and managed funds primarily as a result of lower effective market interest rates and lower average cash and managed funds balances.

EBIT for 2008 decreased HK$7,477 million (US$959 million), or 54%, mainly due to lower profits on disposal of certain listed equity investments in 2008 of HK$2,084 million (US$267 million).

Hutchison Telecommunications International

Turnover of HTIL for 2008 increased HK$3,898 million (US$500 million), or 19%, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards, partially offset by the loss of revenue after the disposal of CGP, which held indirect interests in the Indian mobile operations, in May 2007.

EBIT for 2008 increased HK$288 million (US$37 million), or 9%, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards, inclusion of contributions from certain suppliers in relation to HTIL's Indonesian operations, largely offset by its start-up operating loss for the year, and expenses incurred in relation to the network conversion from CDMA to GSM in the start-up operation in Vietnam and loss of contribution after the disposal of CGP in May 2007.

Others

Turnover from this division for 2008 decreased HK$848 million (US$109 million), or 10%, compared to 2007, mainly due to lower turnover contribution from the manufacturing operations of HHR in 2008.

LBIT for 2008 increased HK$698 million (US$89 million) from HK$93 million for 2007, mainly due to higher impairment charges for the Internet business of TOM Group and lower results of the manufacturing operations of HHR in 2008.

3 Group

Turnover of **3** Group for 2008 increased HK$463 million (US$59 million), or 1%, mainly due to an enlarged customer base and increased contributions from higher-margin non-voice revenues. Hutchison's registered 3G customer base (including HTIL's 3G customers) increased 17% during the year and currently stands at over 20.7 million customers. Contract customers as a percentage of the registered customer base increased to 55% of the **3** Group's base at December 31, 2008, compared to 47% in 2007.

LBIT for 2008 improved by HK$7,081 million (US$908 million), or 39%, mainly due to improved gross margins, cost controls, reduced spend on acquiring lower ARPU prepaid customers, lower depreciation charges and reduced amortization of capitalized contract CACs. This was partially offset by the declining performance of the Italian operation which was mainly due to the effects of changes in the regulatory regime and the competitive environment in the Italian telecommunications industry. Included in LBIT for 2008 was the non-recurring foreign exchange gains totaling HK$2,945 million (US$378 million) arising from the Group's refinancing of certain non-Sterling and non-Euro borrowings with Sterling and Euro Bank loans to create natural currency hedge against assets denominated in Sterling and Euro. Non-recurring foreign exchange gains in 2007 totaled HK$1,898 million.

2007 Compared to 2006

Turnover and EBIT in this section include share of associates and JCEs as per the above tables.

Overview

Turnover for 2007 increased HK$41,111 million, or 15%, compared to 2006, mainly reflecting increased turnover in all core businesses except in the property and hotels division, mainly due to the deferral of the completion and sales of a number of projects.

EBIT for 2007 increased HK$13,373 million, or 26%, compared to 2006. All Hutchison's divisions, other than the property and hotels and others divisions, reported EBIT ahead of 2006.

Included in EBIT, profit on disposal of investments totaled HK$24,638 million in 2007, compared to HK$23,290 million in 2006. In 2006, profit on disposal of investments of HK$23,290 million consisted of:

- Profit of HK$24,380 million realized from the cash disposal of a 20% equity interest in the ports and related services division to PSA International Pte Ltd ("PSA");

- Profit of HK$751 million from the disposal of the data centers by **3** UK; and

- One-time charge of HK$1,841 million relating to the closure of listed HTAL's CDMA network and migration of its customers to its 3G network.

Finance costs for 2007 increased HK$2,453 million, or 15%, compared to 2006, mainly due to lower market interest rates, and higher average total loan balance as a result of a net increase in borrowings on consolidation of HTIL's borrowings after it became Hutchison's subsidiary in June 2007 and increased borrowings to refinance certain intercompany loans to **3** UK and **3** Italia.

Taxation charge for 2007 increased HK$1,442 million, or 48%, compared to 2006, mainly due to increased profits mainly from disposal of equity investments by the finance & investments and others division as well as increased profits from Husky Energy.

Minority interests for 2007 decreased HK$331 million, or 13%, compared to 2006.

The profit attributable to shareholders for 2007 increased by HK$10,570 million, or 53%, compared to 2006.

Ports and Related Services

Turnover of the ports and related services division for 2007 increased HK$4,850 million, or 15%, compared to 2006, primarily due to a 12% increase in annual throughput to reach 66.3 million TEUs. Major contributors to throughput growth included Yantian port and Shanghai area ports in the Mainland; Panama ports container terminal in Panama; Kwai Tsing terminals in Hong Kong; port operations at Rotterdam in the Netherlands; Westports in Klang, Malaysia; Laemchabang ports in Thailand; and Jakarta ports in Indonesia, together with the first full year contribution from TERCAT in Barcelona, Spain, which was acquired in the third quarter of 2006.

EBIT for 2007 increased HK$1,454 million, or 13%, compared to 2006, mainly due to increased throughput as mentioned and the first full year EBIT contribution from TERCAT, partially offset by lower EBIT from Kwai Tsing terminals in Hong Kong due to tariff pressure and increased capacity in the region.

Property and Hotels

Turnover of the property and hotels division for 2007 decreased HK$1,166 million, or 11%, compared to 2006, mainly due to the deferred completion and sale of various development projects in the Mainland, partially offset by growth in rental income and hotel revenue. Gross rental income from the investment properties, including Hutchison's share of associates' and JCEs' rental income, grew 8% to HK$3,029 million in 2007.

EBIT for 2007 decreased HK$1,607 million, or 28%, mainly due to the disposal gain recognized in 2006 from Hutchison's share of the sale of an office tower in Japan and the deferral of completion and sales in various development projects in the Mainland.

Retail

Turnover of the retail division for 2007 increased HK$10,858 million, or 11%, compared to 2006, mainly due to the growth of health and beauty operations in Asia and Europe, the full year contribution from the Ukraine business which was acquired in the fourth quarter of 2006 and increased sales of the European luxury perfumeries and cosmetics operations.

EBIT for 2007 increased HK$991 million, or 36%, compared to 2006, mainly due to a focus on the integration and streamlining of its operations, as well as the improved results from the health and beauty operations in Asia and Europe, retail operations in Hong Kong and the European luxury perfumeries and cosmetics operations.

Cheung Kong Infrastructure

Turnover of CKI for 2007 increased HK$2,429 million, or 16%, compared to 2006, mainly due to increased turnover from Hongkong Electric, energy investments in Australia and the Mainland and the gas operation in the UK.

EBIT for 2007 increased HK$1,217 million, or 20%, compared to 2006, mainly due to improved results from Hongkong Electric, energy investments in Australia and the Mainland and the gas operation in the UK.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for 2007 increased HK$9,800 million, or 33%, compared to 2006, mainly due to higher crude oil prices and increased production volumes and new contribution from Lima Refinery, Ohio from July 1, 2007.

EBIT for 2007 increased HK$2,218 million, or 27%, compared to 2006, mainly due to higher crude oil prices and increased production volumes and new contribution from Lima Refinery, Ohio from July 1, 2007.

Finance & Investments

Turnover of the finance & investments division for 2007 increased HK$393 million, or 8%, compared to 2006, mainly due to higher return from the higher average balance of cash and liquid funds as a result of growing cash flow from established businesses and improving cash flow from the **3** Group.

EBIT for 2007 increased HK$7,449 million, or 115%, compared to 2006, mainly due to higher profits on disposal of certain equity investments of HK$9,754 million in 2007.

Hutchison Telecommunications International

Turnover of HTIL for 2007 increased HK$4,107 million, or 25%, compared to 2006, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards, partially offset by the loss of revenue after the disposal of CGP in May 2007.

EBIT for 2007 increased HK$570 million, or 22%, compared to 2006, mainly due to HTIL being accounted for as a subsidiary of Hutchison from June 2007 onwards.

Others

Turnover from this division for 2007 increased HK$599 million, or 8%, compared to 2006, mainly due to higher turnover contribution from the newly acquired detergent business of Hutchison China and the overall higher turnover from HHR's manufacturing operations in 2007.

LBIT for 2007 was HK$93 million, compared to EBIT of HK$425 million, which included a dilution gain of HK$307 million realized on the initial public offering of Chi-Med on the Alternative Investment Market of the London Stock Exchange in 2006.

3 Group

Despite continued intense competition in all markets and regulatory imposed reductions in mobile termination rates in some of the countries where the **3** Group operates, turnover for 2007 increased HK$9,241 million, or 18%, compared to

2006, mainly due to an enlarged customer base, the improved quality of the customers, continued growth of higher-margin non-voice revenues and improving churn. The **3** Group's registered customer base grew 16% in 2007.

LBIT for 2007 improved by HK$2,058 million, or 10%, mainly due to the economies of scale from an enlarged customer base and stringent controls over operating costs combined with an increase in turnover. This improvement, however, was also adversely affected by exchange rate movements on translation to Hong Kong dollar. Although exchange rate movements do not affect the underlying operating performance, an adverse movement in exchange rate did increase reported LBIT by HK$1,626 million. Excluding the effect of these movements, LBIT reduced 18%.

Liquidity and Capital Resources

The discussion of liquidity and capital resources addresses Hutchison's consolidated cash flow statement, capital expenditure, borrowings, cash, liquid funds and other listed securities, off-balance sheet arrangements, commitments and contingent liabilities. Hutchison finances its working capital requirements primarily through funds generated from operations. Hutchison had cash, liquid funds, and other listed investments of HK$130,402 million as of December 31, 2006, HK$180,499 million as of December 31, 2007 and HK$88,021 million (US$11,285 million) as of December 31, 2008.

Net Cash From Operating Activities

Net cash from operating activities was HK$26,622 million in 2006, HK$55,414 million in 2007 and HK$33,872 million (US$4,343 million) in 2008.

Net cash from operating activities increased HK$28,792 million, or 108%, in 2007, mainly due to the receipt of a HK$16,037 million special dividend from HTIL in 2007 relating to the sale of CGP and higher profit on disposal of certain listed equity investments of HK$9,754 million.

Net cash from operating activities decreased HK$21,542 million, or 39%, in 2008, mainly due to the receipt of a HK$16,037 million special dividend from HTIL and higher profit on disposal of certain listed equity investments of HK$9,754 million in 2007 as mentioned above. Excluding this special dividend and the profits on disposal of certain listed equity investments in 2007 (HK$9,754 million) and 2008 (HK$2,084 million), net cash from operating activities increased 7%, from HK$29,623 million in 2007 to HK$31,788 million (US$4,075 million) in 2008.

Cash Flows from/used in Investing Activities

Net cash used in and generated from investing activities mainly consisted of cash used for capital expenditure and investments, proceeds from disposals of subsidiaries, associated companies, JCEs and other investments. Net cash used in investing activities, net of proceeds received on disposals, totaled HK$12,302 million in 2006 and HK$21,923 million (US$2,811 million) in 2008. Net proceeds of HK$7,600 million were generated from investing activities in 2007.

Net cash from investing activities improved by HK$19,902 million, or 162%, in 2007, primarily due to cash consolidated from HTIL after it became a subsidiary of Hutchison in 2007, partially offset by higher capital expenditure and investment spending in 2007.

Net cash used in investing activities was HK$21,923 million in 2008 compared to a net cash inflow of HK$7,600 million in 2007, primarily due to cash consolidated from HTIL in 2007 as mentioned above. Excluding the cash consolidated from HTIL in 2007, net cash used in investing activities decreased 42% from HK$37,840 million in 2007 to HK$21,923 million in 2008, mainly due to higher proceeds on disposals of listed equity securities and managed funds totaling HK$32,993 million in 2008, as compared to HK$4,099 million in 2007, and proceeds on disposal of a subsidiary by HHR of HK$4,581 million, partially offset by a higher additions to CACs, purchase of additional interest in HTIL and higher advances to associates and JCEs.

(i)

Capital expenditure

The following table sets forth Hutchison's capital expenditure by business divisions in 2006, 2007 and 2008.

Capital Expenditure

	Year Ended December 31,		
	2006	2007	2008
	(in HK$ millions)		
Ports and related services	9,279	9,404	9,502
Property and hotels	221	89	89
Retail	2,668	1,843	1,686
Cheung Kong Infrastructure	42	183	92
Husky Energy	—	—	—
Finance & investments	268	50	14
Hutchison Telecommunications International	—	3,352	4,519
Others	156	102	84
Established businesses	12,634	15,023	15,986
3 Group	13,137	14,591	12,726
Total	25,771	29,614	28,712

In 2006, Hutchison's total capital expenditure was HK$25,771 million. The ports and related services division incurred capital expenditure of HK$9,279 million mainly for Phase III expansion of Yantian Port in the Mainland, expansion of Delta Terminal and development of Euromax Terminal in the Port of Rotterdam ("Euromax Project") through ECT in the Netherlands, Felixstowe South expansion and Trinity deepening in the UK, expansion of the Balboa and Cristobal ports in Panama and facilities upgrade at Kwai Tsing terminals in Hong Kong. The property and hotels division incurred capital expenditure of HK$221 million mainly for the renovation of existing hotels and investment properties. The retail division incurred capital expenditure of HK$2,668 million mainly for new store openings and store refits by the health and beauty and luxury perfumeries and cosmetics operations in Europe as well as the retail and health and beauty operations in the Mainland and Hong Kong. Capital expenditure incurred by HTIL in 2006 was not included as it was accounted for as an associated company at the end of 2005. The **3** Group incurred HK$13,137 million, mainly for network expansion and enhancements.

In 2007, Hutchison's total capital expenditure was HK$29,614 million. The ports and related services division incurred capital expenditure of HK$9,404 million mainly for the Phase III expansion of Yantian Port, Euromax Project, expansion of Balboa and Cristobal ports in Panama, Phase IA expansion at the Port of Lazaro Cardenas in Mexico, and construction of the new container and ro-ro terminals in Laemchabang in Thailand. The retail division incurred capital expenditure of HK$1,843 million mainly for store refits and new store openings mainly in Europe. HTIL's capital expenditure of HK$3,352 million, represents the capital expenditure incurred by HTIL, mainly for network infrastructure built in Indonesia and Vietnam, after it became a subsidiary in June 2007, following on-market purchases of its shares. The **3** Group incurred HK$14,591 million, mainly for network expansion and enhancements, in particular, upgrading the networks with High Speed Downlink Packet Access ("HSDPA") capabilities.

The increase in total capital expenditure in 2007 was HK$3,843 million, 15% higher than the total capital expenditure in 2006, mainly as a result of HTIL becoming a subsidiary in 2007 and higher capital expenditure incurred by the **3** Group in network upgrades, partially offset by reduced capital expenditure incurred by the retail division.

In 2008, Hutchison's total capital expenditure was HK$28,712 million (US$3,681 million). The ports and related services division incurred capital expenditure of HK$9,502 million mainly for Phase III expansion of Yantian Port, Euromax Project, Felixstowe South expansion in the UK, and the expansion of Balboa and Cristobal ports in Panama. The retail division incurred capital expenditure of HK$1,686 million mainly for store refits and new store openings in Europe and Asia, particularly in the Mainland. HTIL incurred capital expenditure of HK$4,519 million mainly on network expansion in Indonesia and Vietnam. The **3** Group incurred capital expenditure of HK$12,726 million, mainly for network expansion and enhancements.

The decrease in total capital expenditure in 2008 was HK$902 million, 3% lower than the total capital expenditure in 2007, mainly due to reduced capital expenditure of the **3** Group, partially offset by the full year consolidation of the capital expenditure of HTIL in 2008 as HTIL became a subsidiary of Hutchison on June 14, 2007.

In view of the current economic environment, Hutchison has prudently reduced planned capital expenditure in 2009 and is reviewing and implementing cost containment and efficiency opportunities throughout the organization. Hutchison is managing its credit facilities and access to credit markets in order to enhance the liquidity in coming years. Hutchison expects to finance its capital expenditure by cash generated from operations, cash on hand and, to the extent appropriate, by external borrowings.

(ii)

Addition to telecommunications postpaid CACs, including HTIL

In 2006, Hutchison incurred HK$15,223 million in acquiring contract telecommunications customers in Europe and Australia. The increase from 2005 was mainly due to Hutchison's strategy to focus on acquiring higher-value contract customers even in markets, such as Italy, where mobile telecommunications customers were mainly prepaid customers.

In 2007, Hutchison incurred HK$11,825 million to acquire contract telecommunications customers. The reduction against 2006 was mainly due to a decrease in the average cost to acquire a customer reflecting the lower cost of handsets and mobile broadband access products and the benefits from the restructuring of the distribution arrangements in the UK and Italy during 2007.

In 2008, Hutchison incurred HK$17,752 million (US$2,276 million) to acquire contract telecommunications customers. The increase as compared to 2007 was mainly due to an increased number of contract customers acquired and retained during the year, partially offset by lower cost per customer acquired.

(iii)

Purchase of subsidiary companies

In 2006, Hutchison incurred HK$3,759 million in acquiring a number of subsidiary companies mainly in the ports and related services division and retail division. In 2007, Hutchison reported a net cash inflow of HK$45,348 million mainly as a result of the on-market purchases of HTIL's shares which increased its holding in HTIL to over 50% resulting in the consolidation of HTIL's cash balances. In 2008, there was no major cash purchase of subsidiary companies.

(iv)

Purchase of minority interests

In 2006 and 2007, there was no significant purchase of minority interests.

In 2008, Hutchison incurred HK$5,435 million (US$697 million) to acquire an additional interest in HTIL and HK$570 million (US$73 million) to acquire an additional 5% interest in Hutchison Telephone Company, a subsidiary of HTIL.

(v)

Purchase of and advances to (including deposits) associated companies and JCEs

In 2006, Hutchison incurred HK$4,248 million, mainly for CKI's advances to its toll-road projects in Australia and property development projects in the Mainland.

In 2007, Hutchison incurred HK$3,361 million, mainly due to advances for the property developments in major cities in the Mainland and Singapore and acquiring additional interests in HTIL before becoming a subsidiary in June 2007.

In 2008, Hutchison incurred HK$9,047 million (US$1,160 million), mainly for CKI's investment and advances to Stanley Power and Vector Wellington Electricity Network Ltd, and property development projects.

(vi)

Proceeds on disposal of subsidiary companies

In 2006, there were no major disposals. In 2007, Hutchison disposed its **3** UK's wholesale fixed line business. In 2008, proceeds of HK$5,294 million (US$679 million) mainly represented the proceeds received by HHR from the disposal of a subsidiary company whose principal asset was an investment property.

(vii)

Proceeds on partial disposal of subsidiary companies

In 2006, proceeds of HK$33,595 million mainly represented the disposal of a 20% interest in Hutchison's ports division. In 2007 and 2008, there was no partial disposal of subsidiary companies for cash consideration.

(viii)

Proceeds on disposal of associated companies

In 2006, there was no disposal of associated companies. In 2007, proceeds of HK$945 million was mainly from CKI for sale of a toll-road investment in Australia. In 2008, there was no major disposal of associated companies.

Cash Flows from/used in Financing Activities

Cash flows from financing activities consist mainly of new borrowings, repayment of borrowings, equity contribution and loans from minority shareholders, as well as payment of dividends. Net cash flow from financing activities was an inflow of HK$114 million in 2006, a net cash outflow of HK$15,858 million in 2007 and HK$65,970 million (US$8,458 million) in 2008.

Cash flow from financing activities changed from a net inflow of HK$114 million in 2006 to an outflow of HK$15,858 million in 2007, mainly due to a decrease in net borrowing during 2007. In 2007, there was a net repayment of borrowings of HK$7,380 million due to certain loan repayments partially offset by new external borrowings to refinance certain intercompany loans to **3** UK and **3** Italia during the year. In 2008, there was a net repayment of borrowings of HK$42,462 million (US$5,444 million), mainly due to the repayment of debts as they matured in 2008 and also prepayment of certain debts maturing in late 2008 and in 2009, net of increased external borrowings.

Bank and Other Interest Bearing Borrowings

Hutchison's borrowings, excluding interest bearing loans from minority shareholders which are viewed as quasi-equity, unamortized loan facility fees and premiums or discounts related to debts and unrealized gain or loss on fair value changes of interest rate swap contracts amounted to HK$287,513 million as of December 31, 2006, HK$311,279 million as of December 31, 2007 and HK$253,884 million (US$32,549 million) as of December 31, 2008. The increase in borrowings in 2007 was mainly due to the effect of the translation of foreign currency denominated loans to HK dollar, consolidation of HTIL's borrowings, increased borrowings to refinance intercompany loans to **3** UK and **3** Italia, partially offset by loan repayments. The decrease in borrowings in 2008 was mainly due to net loan repayments and the effect of the translation of foreign currency denominated loans to HK dollar and other non-cash movements.

In March 2009, a 5-year floating rate loan facility in the amount of HK$5,000 million was obtained to refinance existing indebtedness due in 2009.

As of December 31, 2008, approximately 35% of Hutchison's total borrowings were denominated in U.S. dollars, 15% in HK dollars, 33% in Euro, 6% in Pound Sterling and the remaining 11% in other currencies. As of December 31, 2008, approximately 9% of Hutchison's borrowings were repayable within 2009, 64% were repayable between 2010 and 2013 and 27% were repayable beyond 2014. Finance costs on Hutchison's borrowings was HK$16,601 million in 2006, HK$19,054 million in 2007 and HK$17,286 million (US$2,216 million) in 2008.

Hutchison's borrowings, excluding loans from minority shareholders, unamortized loan facility fees and premiums or discounts related to debts and unrealized gain or loss on fair value changes of interest rate swap contracts, and net of total cash, liquid funds and other listed investments, were HK$157,111 million as of December 31, 2006, HK$130,780 million as of December 31, 2007 and HK$165,863 million (US$21,264 million) as of December 31, 2008.

Security Interests

As of December 31, 2006, the shares of H3G S.p.A. owned by Hutchison were pledged as security for its project financing facilities and the assets of H3G S.p.A. amounted to approximately HK$81,007 million at that date. Subsequently, in January 2007, the project financing facilities of H3G S.p.A. were refinanced and the shares are no longer pledged as security under a new replacement syndicated bank loan. As of December 31, 2006, 2007 and 2008, assets of Hutchison totaling HK$91,788 million, HK$30,700 million and HK$10,857 million (US$1,392 million) respectively were pledged as security for bank and other debts, including the project financing facilities mentioned above, and certain performance guarantees of Hutchison.

Undrawn Borrowing Facilities

Committed borrowing facilities available to Hutchison but not drawn were HK$12,946 million as of December 31, 2006, HK$14,300 million as of December 31, 2007 and HK$13,342 million (US$1,711 million) as of December 31, 2008.

Off-Balance Sheet Arrangements

Hutchison entered into various interest rate agreements with major financial institutions to swap approximately HK$89,700 million principal amount as of December 31, 2006, HK$84,630 million principal amount as of December 31, 2007 and HK$48,750 million (US$6,250 million) principal amount as of December 31, 2008 of fixed rate borrowings to effectively become floating rate borrowings. In addition, a principal amount of HK$8,650 million as of December 31, 2006, HK$3,845 million as of December 31, 2007 and HK$3,013 million (US$386 million) as of December 31, 2008 floating interest rate borrowings were swapped into fixed interest rate borrowings.

Hutchison entered into currency swap arrangements with banks to swap U.S. dollar principal amount of borrowings equivalent to HK$1,365 million as of December 31, 2006, HK$97 million as of December 31, 2007 and HK$62 million (US$8 million) as of December 31, 2008 to non-U.S. dollar borrowings to match the currencies of the underlying businesses.

Cash, Liquid Funds and Other Listed Investments

Hutchison's total cash, liquid funds and other listed investments amounted to HK$130,402 million as of December 31, 2006, HK$180,499 million as of December 31, 2007 and HK$88,021 million (US$11,285 million) as of December 31, 2008. In 2006, cash represented 50% of the total cash, liquid funds and other listed investments, listed fixed income securities 37%, listed equity securities 10% and long-term deposits of 3%. In 2007, cash represented 62% of the total cash, liquid funds and other listed investments, listed fixed income securities 29%, listed equity securities 7% and long-term deposits of 2%. As of December 31, 2008, cash represented 65% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed fixed income securities 29%, listed equity securities 5% and long-term deposits of 1%.

As of December 31, 2008, 13% of Hutchison's total cash, liquid funds and other listed investments were denominated in HK dollars, 48% in U.S. dollars, 14% in Euro, 10% in Renminbi, 5% in Pound Sterling and 10% in other currencies.

Current and Long-Term Liabilities, Commitments and Contingent Liabilities

A summary of Hutchison's current and long-term liabilities as of December 31, 2008 are set forth below. These obligations are reflected in Hutchison's consolidated balance sheet as of December 31, 2008 and in the respective notes 25, 27 and 28 to the consolidated financial statements as of December 31, 2008.

Current and Long-Term Liabilities

	As of December 31, 2008 Payment due by period		
	Total	Due within one year	Due after 1 year
		HK$ millions	
Principal amount of bank loans, other loans, notes and bonds	253,884	23,974	229,910
Unamortized loan facilities fee and premium or discount on issue and fair value changes of interest rate swap contracts	4,202	(29)	4,231
Interest bearing loans from minority shareholders	13,348	—	13,348
Trade and other payables	82,497	82,497	—
Total	353,931	106,442	247,489

The principal amount of bank and other debts scheduled for repayment by calendar year were as follows:

	As of December 31, 2008 HK$ millions
2009	23,974
2010	35,821
2011	79,443
2012	6,507
2013	39,445
2014 to 2018	44,064
2019 to 2028	8,549
2029 and thereafter	16,081
	253,884

The operating lease costs charged to the profit and loss account for the year ended December 31, 2008 are shown in note 43 to the consolidated financial statements. Hutchison's commitments for future payments pursuant to lease obligations signed as of December 31, 2008 are shown in note 37 to the consolidated financial statements and are summarized as follows:

Operating Lease Commitments

	As of December 31, 2008 Future aggregate minimum lease payments due			
	Total	In the first year	In the second to fifth year	After the fifth year
	HK$ millions			
Land and Building				
- **3** Group, mainly cell sites	17,516	2,259	6,362	8,895
- Established businesses, mainly retail stores	72,723	7,584	21,244	43,895
Other Assets				
- **3** Group	51	32	19	—
- Established businesses	6,688	624	2,434	3,630
Total	96,978	10,499	30,059	56,420

Hutchison's capital commitments as of December 31, 2008 are summarized below. Contracted for commitments represent amounts payable pursuant to agreements signed as of December 31, 2008. Authorized but not contracted for amounts are derived from the annual budget process and are budgets of future capital expenditure which are subject to a rigorous authorization process before a contract is entered into.

Capital and other Commitments

	As of December 31, 2008	
	Contracted for	Authorized but not contracted for
	HK$ millions	
Container terminals	4,963	—
Telecommunications infrastructure		
- HTIL	1,612	—
- **3** Group	3,635	5,144
Others	430	2,054
Total	10,640	7,198

Other commitments on 3G handsets	1,280	—

Hutchison has provided guarantees as of December 31, 2008 as shown in note 36 to the consolidated financial statements, which are summarized as follows:

Contingent Liabilities

	As of December 31, 2008 Total HK$ millions
Guarantees in respect of bank and other borrowing facilities for associated companies and jointly controlled entities	3,749
Performance and other guarantees primarily for telecommunications businesses	7,820
	11,569

Treasury Management

Hutchison's treasury function sets financial risk management policies in accordance with policies and procedures approved by the Executive Directors, which are also subject to periodic review by Hutchison's internal audit function. Hutchison's treasury policies are designed to mitigate the impact of fluctuation in interest rates and exchange rates and to minimize Hutchison's financial risks. Hutchison's treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to Hutchison and its companies. It manages the majority of Hutchison's funding needs, interest rate, foreign currency and credit risk exposures. Hutchison cautiously uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing Hutchison's assets and liabilities. It is Hutchison's policy not to enter into derivative transactions for speculative purposes. It is also Hutchison's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash Management and Funding

Hutchison 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-U.S. dollar currencies, Hutchison generally obtains long-term financing at Hutchison level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. Hutchison regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

Hutchison manages its interest rate exposure with a focus on reducing Hutchison's overall cost of debt and exposure to changes in interest rates. When considered appropriate, Hutchison uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively. Hutchison's main interest rate exposures relate to U.S. dollar, Pound Sterling, Euro and HK dollar borrowings.

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

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-U.S. dollar assets, Hutchison generally endeavors to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or no longer attractive, Hutchison may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimized by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist.

At December 31, 2008, Hutchison had currency swap arrangements with banks to swap U.S. dollar principal amount of borrowings equivalent to HK$62 million to non-U.S. dollar principal amount of borrowings to match the currency exposures of the underlying businesses.

Hutchison's total principal amount of bank and other debts as of December 31, 2008 are denominated as follows: 15% in HK dollars, 35% in U.S. dollars, 33% in Euro, 6% in Pound Sterling, and 11% in other currencies. During 2008, HTIL closed out all foreign exchange swap contracts under which HTIL agreed to sell Thai Baht and buy U.S. dollars at pre-agreed rates. HTIL entered into these contracts solely to fulfil local exchange control requirements when HTIL injected additional funding into Thailand for repayment of its outstanding external debt in 2007. HTIL recognized a loss of HK$20 million in its profit and loss statement in respect of these transactions in 2008. In 2008, Hutchison's total shareholders' funds decreased as a result of the non-cash unfavorable effect of HK$38,917 million arising from the translation of the value of the net assets of overseas subsidiaries at December 31, 2008 exchange rates, which in the case of the rates of the Euro and British Pound against the Hong Kong dollar, were substantially lower than the rates at the end of last year.

Credit Exposure

Hutchison's holdings of cash, managed funds and other liquid investments, and interest rate, foreign currency swaps and forward currency contracts with financial institutions expose Hutchison to credit risk of counterparties. Hutchison controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed. Hutchison is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

Credit Profile

Hutchison aims to maintain a capital structure that is appropriate for long-term investment grade ratings of "A3" on the Moody's Investor Service scale, "A-" on the Standard & Poor's Rating Services scale and "A-" on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At April 2, 2009, Hutchison's long-term credit ratings were "A3" from Moody's with a negative outlook, "A-" from Standard & Poor's and "A-" from Fitch, both with a stable outlook.

Market Price Risk

Hutchison's main market price risk exposures relate to listed debt and equity securities described in "Operations — Finance & Investments" below and the interest rate swap as described in "Interest Rate Exposure" above. The Group's holding of listed debt and equity securities represented approximately 33% of its liquid assets. The Group controls this through monitoring the price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Inflation and Deflation

Hong Kong experienced periods of high inflation in the late 1980s and the 1990s. However, Hong Kong, experienced deflation from 2000 to 2004, the inflation rate started going up to 1.0% in 2005, 2.0% in 2006 and 2007 and 5.1% in the first half of 2008, but started to ease towards the end of the year to an average of 4.3% for the full year 2008. Global inflationary pressures started to pick up in the first half of 2008, mainly driven by high commodity prices in the global markets. However, with the retreat of these prices in the second half of 2008 and the worsening global financial economy, the Hong Kong economy started to contract in the fourth quarter. In view of the continued retreat of international commodity prices, worsening business conditions and strengthening U.S. dollar (and therefore Hong Kong dollar), inflation is expected to recede further in the coming year.

BUSINESS OF HUTCHISON

Overview

Hutchison Whampoa Limited, a company incorporated in Hong Kong on July 26, 1977, under no. 54532 in the Companies Registry with limited liability, is the holding company of the Hutchison group of companies. Hutchison was initially established as the result of the merger between Hutchison International Limited and Hongkong and Whampoa Dock Company Limited. Hongkong and Whampoa Dock Company Limited, incorporated in 1866, was the first company to be registered in Hong Kong. Hutchison became a publicly listed company in 1978. Cheung Kong Holdings became a major shareholder of Hutchison in 1979 and Mr. Li Ka-shing, the Chairman of Cheung Kong Holdings, became the Chairman of Hutchison in 1981. Cheung Kong Holdings (through its subsidiaries) owns approximately 49.9% of Hutchison's issued share capital and is the largest shareholder. Hutchison and Cheung Kong Holdings have certain common directors and cooperate primarily on major property development projects in the Mainland and to a lesser extent in Hong Kong, Singapore and the UK.

Hutchison is a Hong Kong-based multinational conglomerate whose securities are listed on the SEHK. Hutchison operates five core business divisions in 54 countries: ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications. Significant developments in Hutchison's business since December 31, 2008 are summarized below under "Recent Developments".

Based on the closing price of its shares on the SEHK on March 31, 2009, Hutchison had a market capitalization of approximately HK$162,648 million (approximately US$20,852 million). Hutchison and its listed associated company Hongkong Electric Holdings are two of the 42 constituent stocks of the Hang Seng Index in Hong Kong.

Hutchison's profit attributable to shareholders was HK$20,030 million, HK$30,600 million and HK$17,664 million for the years ended December 31, 2006, 2007 and 2008, respectively. See "Capitalization of Hutchison" and "Selected Consolidated Financial Information of Hutchison".

Hutchison's registered office is located at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

Ports and Related Services

Hutchison is one of the world's largest privately-owned container terminal operators in terms of throughput handled. The ports and related services division holds interests in 49 ports in 25 countries, including interests in container terminals operating in six of the nine busiest container ports in the world, and handled combined container throughput of 59.3 million, 66.3 million and 67.6 million TEUs in 2006, 2007 and 2008 respectively. Hutchison has an 80% interest in this division. The holdings of the division are its interests in various ports including:

- Hong Kong, the third busiest container port in the world in 2008, where Hutchison operates 14 of the 24 available container berths through Hongkong International Terminals ("HIT") and COSCO-HIT Terminals ("COSCO-HIT"), a 50/50 joint venture between HIT and Cosco Pacific Limited, a subsidiary of China Ocean Shipping (Group) Company listed on the SEHK;

- the Mainland, where Hutchison holds interests in Yantian International Container Terminals ("YICT"), Shanghai Container Terminals ("SCT"), Shanghai Pudong International Container Terminals ("SPICT"), Shanghai Mingdong Container Terminals ("SMCT"), and Ningbo Beilun International Container Terminals ("NBCT") as well as other ports;

- the UK, where Hutchison holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe, London Thamesport and Harwich International Port;

- the Netherlands, where Hutchison holds interests in Europe Container Terminals ("ECT") in Rotterdam, and Amsterdam Container Terminals ("ACT") in Amsterdam;

- Continental Europe, where Hutchison holds interest in Terminal Catalunya ("TERCAT") in Spain, Gdynia Container Terminal ("GCT") in Poland and Taranto Container Terminal ("TCTI") in Italy;

- Indonesia, where Hutchison holds interests in Jakarta International Container Terminal ("JICT") and Koja Container Terminal;

- Mexico, where Hutchison holds interests in Internacional de Contenedores Asociados de Veracruz (“ICAVE”), which is located in Veracruz on the east coast as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast;

- Panama, where Hutchison holds interests in Panama Ports Company (“PPC”), which operates terminals at Cristobal and Balboa ports, located near each end of the Panama Canal;

- the Bahamas, where Hutchison holds interests in Freeport Container Port (“FCP”) on Grand Bahama Island;

- Argentina, where Hutchison holds interests in Buenos Aires Container Terminal Services (“BACTSSA”);

- Saudi Arabia, where Hutchison holds interests in International Ports Services (“IPS”) at Dammam;

- Tanzania, where Hutchison holds interests in Tanzania International Container Terminal Services (“TICT”) at Dar es Salaam;

- Pakistan, where Hutchison holds interests in Karachi International Container Terminal (“KICT”) and Karachi New Port Container Terminals (“KNP”);

- Malaysia, where Hutchison holds interests in Westports Malaysia (“KMT”) at Port Klang;

- South Korea, where Hutchison operates two terminals in Busan Port and one terminal in Gwangyang Port through Hutchison Korea Terminals (“HKT”), and one terminal in Gwangyang Port through Korea International Terminals (“KIT”);

- Thailand, where Hutchison holds interests in Thai Laemchabang Terminal (“TLT”), Hutchison Laemchabang Terminal (“HLT”) and Laemchabang International Ro-Ro Terminal (“LRT”) at Laem Chabang. HLT has been awarded a 30-year concession to build and operate six container terminals in Chon Buri’s Laem Chabang deep-sea port;

- Egypt, where Hutchison holds interests in Alexandria International Container Terminals, which operates terminals at Alexandria and El Dekheila Ports;

- Oman, where Hutchison holds interests in Oman International Container Terminal (“OICT”) at the Port of Sohar, Oman; and

- Vietnam, where Hutchison holds interests in Saigon International Terminals Vietnam (“SITV”), which has been awarded a 50-year concession to jointly construct, develop and operate a new container terminal in Ba Ria Vung Tau Province, in southern Vietnam.

The division also has interests in other ports and port development projects, interests in ship repair, salvage and towage operations in Hong Kong and inland container depot operations in the Mainland. The ports and related services division contributed 11.4% of Hutchison’s turnover (including share of associates and JCEs) and 25.4% of Hutchison’s EBIT (including share of associates and JCEs) in 2008.

Property and Hotels

Hutchison’s property and hotels division:

- held, as of December 31, 2008, a rental portfolio of approximately 15.5 million square feet, principally in Hong Kong and also in the Mainland and the UK. These investment properties comprise mainly office space and also commercial, industrial and residential areas, the leasing of which is a significant contributor to the division’s revenue and EBIT;

- manages investment properties and development activities for Hutchison and certain of its associates and JCEs;

- acts as a developer of residential, commercial, office, hotel and recreational projects, principally in the Mainland and also in Hong Kong, Singapore and the UK. Hutchison has a current attributable landbank which can be developed into approximately 103 million square feet of mainly residential property, primarily in the Mainland; and

- has ownership interests in 12 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed by its 50% owned hotel management joint venture, which in addition manages one other independently owned hotel.

The property and hotels division contributed 3.0% of Hutchison's turnover (including share of associates and JCEs) and 15.5% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Retail

Hutchison's retail division operates as AS Watson, one of the world's largest health and beauty retail groups in terms of number of stores, and an operator of major chains of luxury perfumery and cosmetic products stores, supermarkets and consumer electronics and electrical appliances stores. AS Watson currently has over 8,300 stores in 34 markets mainly in Europe, Hong Kong, the Mainland and other markets in Asia. AS Watson also manufactures and distributes water and beverage products in Hong Kong and the Mainland.

The retail division contributed 34.0% of Hutchison's turnover (including share of associates and JCEs) and 8.4% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Energy, Infrastructure, Finance & Investments and Others

Cheung Kong Infrastructure

Hutchison has an 84.6% interest in CKI, one of the largest publicly listed infrastructure companies in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, the Mainland, Australia, New Zealand, the UK, Canada and the Philippines. CKI's major interests are:

- a 38.9% interest in Hongkong Electric Holdings, a listed company in Hong Kong that, through a wholly-owned subsidiary, Hongkong Electric, generates, transmits, distributes, and is the sole provider of electricity to Hong Kong Island and Lamma Island;

- together with Hongkong Electric Holdings, a 51% interest (CKI: 23.07%; Hongkong Electric Holdings: 27.93%) in ETSA Utilities, the sole electricity distributor in the State of South Australia, Powercor Australia Limited ("Powercor"), the largest electricity distributor in the State of Victoria, and CitiPower I Pty Ltd ("CitiPower"), another major electricity distributor in the State of Victoria;

- an 8.7% interest in the Spark Infrastructure Group, a stapled group listed on the Australian Securities Exchange, which holds a 49% interest in ETSA Utilities, Powercor and CitiPower;

- an 18.52% interest in Envestra Limited, the largest listed natural gas distribution company in Australia, which owns about 21,000 kilometers of natural gas distribution networks and 1,000 kilometers transmission pipelines, serving over one million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory;

- a power generating portfolio currently with approximately 2,800 MW of gross capacity in the Mainland;

- interests in joint ventures that own and operate approximately 400 kilometers of toll roads and bridges in the Mainland;

- a 49% interest in AquaTower Pty Ltd in Victoria, Australia, which operates four treatment plants and provides potable water for four regional towns;

- a 100% interest in Cambridge Water, a company appointed as a water undertaker under the Water Industry Act 1991 of the UK, which supplies water to a population of approximately 300,000 in an area over 1,175 square kilometers in South Cambridgeshire in the UK;

- an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland;

- together with Hongkong Electric Holdings, a 75.1% interest (CKI: 40.0%; Hongkong Electric Holdings: 35.1%)

in NGNL, which distributes gas to homes and businesses across the North of England, an area covering West, East and North Yorkshire, and the North East and Northern Cumbria;

- together with Hongkong Electric Holdings, a 100% interest (CKI: 50%; Hongkong Electric Holdings: 50%) in Stanley Power Inc., which owns 49.99% partnership interest in TransAlta Cogeneration, L.P. which owns interests in five natural-gas powered cogeneration plants in Alberta, Ontario and Saskatchewan, and a coal-fired generation plant in Alberta in Canada;

- a 4.75% interest in Southern Water Group, a regulated business supplying water to more than 1 million households and waste water services to more than 2 million households across Sussex, Kent, Hampshire and the Isle of Wight; and

- together with Hongkong Electric Holdings, a 100% interest (CKI: 50%; Hongkong Electric Holdings: 50%) in Wellington Electricity Distribution Network, which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand, with a system length of over 4,592 kilometers.

CKI contributed 5.7% of Hutchison's turnover (including share of associates and JCEs) and 14.2% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Husky Energy

Hutchison holds a 34.57% interest in Husky Energy, an integrated international energy and energy-related company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration, development and production of crude oil, bitumen, natural gas liquids and natural gas from assets located in Canada (Western Canada, offshore the East Coast of Canada and the Northwest Territories), the United States and offshore the Mainland, Indonesia and Greenland;

- the midstream segment comprising heavy oil upgrading, pipeline transportation, natural gas storage, processing, thermal/electric cogeneration and marketing of crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; and

- the downstream segment, which includes the refining, marketing and distribution of gasoline, aviation fuel, diesel, asphalt, ethanol and ancillary products and services across Canada and in the United States.

Husky Energy contributed 18.2% of Hutchison's turnover (including share of associates and JCEs) and 25.5% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Finance & Investments

Hutchison receives substantial income from its finance and treasury division, which is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments. Hutchison operates a central cash management system for its subsidiaries other than for those that are separately listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies. Income from this division includes interest income, dividends from equity investments, profits and losses from the sale of securities and foreign exchange gains and losses of non-HK dollar denominated liquid assets. The interest expense and finance costs related to Hutchison's various operating businesses are not attributed to this division but are attributed to and borne by the operating businesses.

The finance & investments division contributed 1.2% of Hutchison's turnover (including share of associates and JCEs) and 12.4% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Others

Hutchison's share of the results of Hutchison China, Hutchison E-Commerce operations, listed subsidiary HHR and listed associated company TOM Group are reported under this division.

• Hutchison China operates various service and distribution joint ventures in the Mainland, Hong Kong, the UK and France, and also has an investment in Chi-Med, a 71.6% owned subsidiary listed on the Alternative Investment Market of the London Stock Exchange. Chi-Med manufactures, distributes and sells healthcare and traditional Chinese medical and pharmaceutical products;

• Hutchison has a 71.5% interest in HHR, a listed company in Hong Kong that principally engages in the provision of integrated solutions of design, production and distribution of high quality consumer electronic products and mobile phone accessories. HHR is also a licensing and sourcing service provider and holds certain investment properties in the Mainland; and

• Hutchison has a 24.5% interest in TOM Group, a leading Chinese-language media group in the PRC listed on the Main Board of the SEHK. It has diverse business interests in four key areas: internet, publishing, outdoor media and television and entertainment.

This division contributed 2.1% of Hutchison's turnover (including share of associates and JCEs) and its LBIT of HK$791 million represented (1.5)% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

Telecommunications

Hutchison is a leading worldwide operator of mobile telecommunications networks. The telecommunications division consists of an approximate 60.4% interest in listed subsidiary HTIL, and the "**3** Group" comprising 3G businesses in the UK, Italy, Ireland, Australia (through HTAL), Sweden, Denmark, Norway (in planning) and Austria.

• HTIL, which was listed on the SEHK and the New York Stock Exchange in October 2004, currently holds Hutchison's interests in 2G and 3G mobile operations in Hong Kong, Macau, Israel and Indonesia, fixed-line business in Hong Kong, 2G GSM mobile operations in Sri Lanka and CDMA2000-1X operations in Thailand. Its Vietnam operations recently received governmental approval for, and is in the process of, replacing its CDMA with a GSM network and relaunching its mobile operations. HTIL contributed 7.1% of Hutchison's turnover (including share of associates and JCEs) and 6.7% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

• The **3** Group comprises 3G businesses in various countries in Europe and in Australia offering 3G services under the brand name "**3**". As of March 25, 2009, including the 3G customers of HTIL, Hutchison had over 20.7 million 3G customers worldwide.

— In Italy, **3** Italia serviced a customer base of over 8.8 million as of March 25, 2009. **3** Italia started its commercial testing on Digital Video Broadcast to Handheld ("DVB-H") services in June 2006 and commenced commercial services in September 2006, offering the first commercial DVB-H package in Italy, with TV, voice and Internet.

— In the UK and Ireland, **3** UK and **3** Ireland serviced a combined customer base of over 5.3 million as of March 25, 2009.

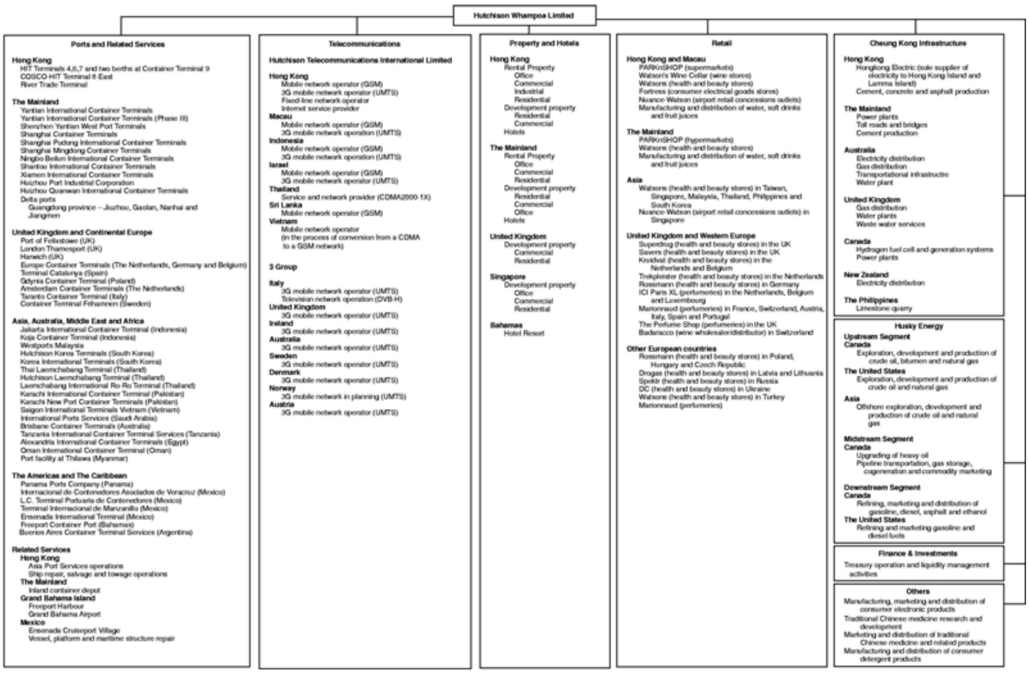
— In Australia, HTAL offers services in Sydney, Melbourne, Adelaide, Brisbane, Canberra and Perth using the **3** brand name. As of March 25, 2009, HTAL serviced an active customer base of over 2.1 million. In February 2009, HTAL agreed to combine its telecommunications businesses with Vodafone's businesses in Australia. See "— Recent Developments — Telecommunications".

— In Sweden and Denmark, Hi3G Access had a combined Scandinavian customer base of over 1.29 million as of March 25, 2009.

— In Austria, **3** Austria serviced a customer base of 713,000 as of March 25, 2009.

The **3** Group contributed 17.3% of Hutchison's turnover (including share of associates and JCEs) and its LBIT of HK$10,857 million represented (20.8)% of Hutchison's EBIT (including share of associates and JCEs) in 2008.

The following chart illustrates the main activities of Hutchison and its associates and jointly controlled entities by geographic location:



Recent Developments

The following significant developments have taken place subsequent to December 31, 2008:

Global Economic Crisis

- The current global economic crisis is adversely affecting the global economy and has had a negative impact on Hutchison's turnover and profit. For example, as a result of the significant decline in crude oil prices in late 2008, Husky Energy's financial performance in the fourth quarter of 2008 was significantly lower than the previous quarters of the same year. In addition, in respect of the ports and related services division, there has been a significant decrease in combined container throughput since September 2008. Property prices and rental rates in Hong Kong and the Mainland have also declined during the second half of 2008 and the first two months of 2009. If these trends continue in 2009, they will have a material adverse impact on Hutchison's results of operations. See "Risk Factors — Global Economy" and "Management's Discussion and Analysis of Results of Operations and Financial Condition of Hutchison — Overview".

Ports and Related Services

- In February 2009, Terminales Internacionales de Ecuador S.A. ("TIDE"), a subsidiary of the ports division, withdrew from the concession agreement to operate Port of Manta on the grounds that there are changes in the concession agreement unilaterally imposed by the Ecuadorian government which TIDE finds unacceptable.

Cheung Kong Infrastructure

- In February 2009, CKI entered into an agreement with Hongkong Electric Holdings to procure the sale of the entire issued share capital of Outram Limited ("Outram") to Hongkong Electric Holdings or a wholly-owned subsidiary of Hongkong Electric Holdings for a consideration of HK$5,680 million. CKI, through Outram, holds a 45% equity interest in each of the joint ventures in the Mainland, which together own and operate three power plants, namely Zhuhai Power Plant in Zhuhai City, the neighboring Jinwan Phase 1 Power Plant and Siping Cogen Power Plants in the Jilin Province. The disposal is expected to be completed in April 2009, and CKI expects to report a gain of approximately HK$1,348 million in its 2009 interim results. Hutchison is expected to report a profit, after adjusting for Hutchison Group's asset valuation consolidation adjustments, from this transaction of approximately HK$880 million.

Husky Energy

- In February 2009, Husky Energy announced that it had completed drilling and testing of the first appraisal well at Liwan 3-1 field on block 29/26, South China Sea. The Liwan appraisal well was drilled to a total vertical depth of 3,887 meters below sea level. Evaluation and analyses will be conducted to clarify the extent of the discovery and determine the flow capacity of the reservoir. The well flowed at an equipment restricted rate of 53 million cubic feet per day indicating future deliverability could be in excess of 150 million cubic feet per day.

Telecommunications

Hutchison Telecommunications International Limited

- In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), the holding company of HTIL's Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of the SEHK by way of introduction, involving no initial public offering of shares or raising of capital. The spin-off remains subject to the approval of the SEHK. There will be no dilutive effect on the existing HTIL shareholders, who will remain as the shareholders of both HTIL and HTHKH upon the completion of the spin-off.

- On April 6, 2009, Hutchison and HTIL jointly announced that on April 3, 2009 one of HTIL's wholly-owned subsidiaries had entered into a conditional loan agreement to advance to Lucky Wealth Success Ltd. (guaranteed by PT Asia Mobile) US$55 million (approximately HK$426.3 million) and another conditional agreement to acquire the benefits of certain shareholder loans of approximately US$91.4 million (approximately HK$712.9 million) in aggregate principal amount advanced by PT Asia Mobile to HCPT, an indirect 65%-owned subsidiary of HTIL, at a consideration of US$1 (approximately HK$7.8). PT Asia Mobile also agreed for a consideration of US$1.00 to grant to a wholly-owned subsidiary of HTIL, a call option to purchase and to require PT Asia Mobile to sell its shares in HCPT, exercisable during a twenty-year period subject to compliance with all requisite approvals, registrations and/or notifications required for effecting any transfer of option shares on any exercise of such share option. PT Asia Mobile has a 35% equity interest in HCPT.

Hutchison Telecommunications (Australia) Limited

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

BUSINESS STRATEGY

In the current global economic environment, Hutchison is focused on maintaining financial discipline and the strength of its balance sheet in order to successfully execute its business strategies. Hutchison's overall business strategy is to focus on and continue to cautiously expand its core businesses and its market share in all markets in which it operates, mainly by organic growth. Hutchison currently maintains a significant market share in each of its core businesses in Hong Kong. In expanding outside Hong Kong, Hutchison has focused primarily on the markets where it can take advantage of experience, expertise and economies of scale from its Hong Kong businesses. Hutchison has taken advantage of these opportunities in other locations in certain of its core businesses, in particular its ports, telecommunications, retail, energy and infrastructure businesses. Hutchison expects to continue to cautiously expand in Hong Kong, the Mainland and overseas in line with demand for its products and services. As a result, Hutchison has built up significant operations in Hong Kong and overseas in several sectors, including ownership and operation of container terminals, property holdings and development, management of retail store chains, manufacturing of drinking water and other beverages, manufacturing of high quality consumer electronic products, and infrastructure and energy businesses, and ownership and management of mobile telecommunications networks.

Hutchison also seeks to establish a strong and diversified local presence in each overseas market in which it operates. Most of Hutchison's overseas interests are direct investments in which it is actively involved and significantly influences the management of operations.

Hutchison's divisions have the following specific business strategies:

- The ports and related services division plans to continue to optimize the performance of its existing port operations and to continue to grow and expand its existing position as a leading global competitor in container terminal operations. The division plans to pursue selective expansion opportunities to meet demand in its existing port locations to maintain market share and to cautiously expand into new markets elsewhere around the world. In addition, the division seeks to maximize the efficiencies among its global port operations as well as to improve the operating results of the ports it acquires by upgrading existing infrastructure, management systems and management skills based on its successful existing operations. The ports and related services division also seeks to maintain an overall earnings yield consistent with prior years and generate significant earnings growth.

- The property and hotels division plans to continue to own and develop property and manage a rental property and hotel portfolio and, where appropriate, retain the office buildings and major commercial areas of its property development projects as long-term holdings in order to increase its base of recurrent income. The division seeks to replenish its landbank during periods when it believes there are opportune land prices and is currently focusing on opportunities in the Mainland and continues to seek attractive investment and development opportunities elsewhere on a selective basis.

- The retail division seeks to integrate its acquired businesses with its existing operations to achieve synergy, to consolidate its leading market position and also to expand its businesses cautiously, mainly by organic growth through new store openings. Hutchison believes that it can use the retail expertise it has gained in Hong Kong, the Mainland, other Asian countries and Europe to expand and continue to grow its operations.

- CKI seeks to ascertain further opportunities to invest in infrastructure projects overseas as well as in Hong Kong and the Mainland. Hutchison also believes Hongkong Electric Holdings is well-positioned for expansion by investing in projects outside Hong Kong.

- Husky Energy's upstream strategy is to cautiously expand and develop the highly prospective basins offshore Southeast Asia, offshore Canada's East Coast, Alberta oil sands and heavy oil thermal production while continuing to exploit its oil and gas asset base in the Western Canadian Sedimentary Basin by optimizing oil and gas production with focused exploration and enhanced recovery technology. Husky Energy will continue to create value through the integrated production to refined products value chain, and will expand and optimize its midstream and downstream throughput capacity to enhance the integration strategy, including through the recently acquired U.S. refineries in Lima (100% owned by Husky Energy) and Toledo (50% owned by Husky Energy), Ohio.

- HTIL's objective is to increase and diversify revenue and profitability by strengthening the competitive position and efficiency of existing businesses, while cautiously pursuing opportunities on a selective basis in growing mobile telecommunication markets.

- Hutchison intends to continue to grow its existing **3** Group businesses in Europe and Australia and become profitable through the expansion of 3G service offerings and competitive tariff plans to stimulate customer growth. Hutchison may also capitalize on its expertise as a 3G network operator to exploit opportunities on a selective basis to provide 3G services to other license holders.

OPERATIONS

Ports and Related Services

Hutchison is one of the world's largest privately-owned container terminal operators in terms of throughput handled. Through its 80%-owned subsidiaries, Hutchison Port Holdings and Hutchison Ports Investments S.à r.l. (collectively "Hutchison's ports division"), Hutchison has interests in container terminals operating in six of the nine largest ports by container volume in the world: those ports are in Shanghai, the Mainland; Hong Kong; Shenzhen, the Mainland; Busan, South Korea; Ningbo, the Mainland and Rotterdam, the Netherlands. The division handled combined container throughput of 59.3 million, 66.3 million and 67.6 million TEUs in 2006, 2007 and 2008, respectively. Hutchison has interests in 49 ports in 25 countries, including Hong Kong, the Mainland, the UK, the Netherlands, Belgium, Germany, Spain, Poland, Italy, Sweden, South Korea, Indonesia, Malaysia, Thailand, Myanmar, Pakistan, Vietnam, Australia, Saudi Arabia, Tanzania, Egypt, Oman, Panama, the Bahamas, Mexico and Argentina. Hutchison also has interests in midstream container handling operations, ship repair, salvage and towage operations in Hong Kong and inland container depot operations in the Mainland.

In April 2006, Hutchison entered into a sale and purchase agreement to dispose of a 20% equity interest in Hutchison's ports division to PSA for a cash consideration of US$4,388 million, reducing Hutchison's interest in the ports division from the previous 100% to 80%.

Hong Kong was the third busiest container port in the world in 2008 with throughput of approximately 24.2 million TEUs. Hutchison operates 14 of the 24 available container berths in Hong Kong through HIT and COSCO-HIT, a 50/50 joint venture between HIT and Cosco Pacific Limited, a subsidiary of China Ocean Shipping (Group) Company listed on the SEHK. Hutchison has a long history in the ports business and ports-related services business in Hong Kong.

Hutchison has invested in port operations in the Mainland since 1992, and currently holds interests in a number of ports in the Mainland, including Yantian, Shanghai, Waigaoqiao, Ningbo, Huizhou and Delta Ports.

In Europe, Hutchison has interests in container terminals in the UK, the Netherlands, Belgium, Germany, Spain, Poland, Italy and Sweden. Hutchison owns and operates Felixstowe, the largest container facility in the UK. Hutchison also owns London Thamesport and Harwich ports in the UK. Hutchison's ports division holds majority equity interest in ECT in Rotterdam, one of the largest container operators in Europe. In January 2005, Hutchison acquired a majority equity interest in GCT in Poland. The container terminal at the site of GCT commenced operation in April 2006. In August 2006, Hutchison acquired a majority equity interest in TERCAT which currently operates a four-berth facility. The Barcelona Port Authority has awarded TERCAT a 30-year concession to build and operate a new seven-berth container terminal, Prat Pier Container Terminal, at the Port of Barcelona, Spain. The terminal will be developed in two phases over the next eight years. In December 2008, Hutchison's ports division acquired a majority equity interest in ACT, Amsterdam in the Netherlands and a joint ownership in TCTI, Taranto in Italy, through two share-swap transactions.

In April 2007, Hutchison's ports division announced that it was the preferred operator for the development of Berths 11 and 12 in the Port of Brisbane in Queensland, Australia. Agreements were finalized with the government in January 2008.

In May 2007, a consortium including Hutchison's ports division was selected to hold the concession rights to the Port of |$$|ApIzmir, one of Turkey's major container ports with significant potential to cater for the long-term growth in the volume of trade with Asia. A new joint venture company, |$$|ApIzmir Liman |$$|ApI|$$|Acsletmecili|$$|Abgi A.|$$|AcS., incorporated in February 2008 is pending the Turkish government's release of the concession document for completion and handover of the port.

The market for ports and related services is dependent on a variety of factors. The geographic location of each port is important to its traffic flow. Ports in Hong Kong benefit from its strategic location at the center of the developing economies of Asia. A terminal operator must also have sufficient capacity to meet the demands of its customers. HIT and COSCO-HIT together have the largest number of berths at Kwai Tsing. In addition, through its interests in Yantian, Shanghai, Waigaoqiao, Ningbo, Huizhou and Delta Ports, Hutchison is one of the largest private container terminal operators in the Mainland. Through its European operations, Hutchison is positioned as one of the market leaders in container terminal operations with businesses in the UK, the Netherlands, Belgium, Germany, Spain, Poland, Italy and Sweden. Hutchison also has the largest container terminal operation in Indonesia, two terminals in Busan Port in South Korea, the world's fifth largest container port, and two terminals in Gwangyang Port, South Korea's second largest deep-water port. Shipping customers focus on turnaround time at ports in order to minimize the amount of time their ships spend at ports. Hutchison utilizes the latest technology and management systems in all of its port operations in order to maximize turnaround performance.

The following tables set out the container throughput by type of shipment and geographic location, respectively of the portfolio of ports operated by Hutchison's subsidiaries, associates and JCEs:

Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput[1] (in thousands of TEUs)			
Local	44,847.5	48,742.5	49,052.3
Transshipment	14,478.2	17,601.4	18,576.8
Total	59,325.7	66,343.9	67,629.1
Hong Kong	11,602.3	12,188.6	12,118.1
The Mainland	22,267.8	24,081.5	23,376.8
UK and Continental Europe	9,582.5	11,223.9	11,375.9
Asia, Middle East and Africa	11,685.0	13,569.2	14,747.8
The Americas and the Caribbean	4,188.1	5,280.7	6,010.5
Total	59,325.7	66,343.9	67,629.1

(1) The published statistics from the Hong Kong Marine Department for the total of local and transshipment throughput incorporate liftings to or from oceangoing vessels and containers received from or delivered to ports located within the river trade zone (as defined by the Hong Kong Marine Department) by water-borne traffic. The published statistics are not directly comparable to throughput figures of HIT and COSCO-HIT shown above for Hong Kong, which exclude this water-borne traffic, in order to be consistent with the treatment of containers transported to or from locations within the river trade zone by trucks.

Ports in Hong Kong

Hongkong International Terminals Limited

Hutchison's ports division holds a 66.5% interest in HIT, a company established in 1974 that is the foundation on which Hutchison's ports division has been built. HIT's scope of operations in Hong Kong, one of the busiest ports in the world in terms of throughput in 2008, includes the loading and unloading of containers to and from container vessels, the storage of containers and cargoes and the handling of containers within the container terminal premises. HIT operates twelve container berths and four barge berths at its four terminals at Kwai Tsing. In addition, HIT's 50% joint venture, COSCO-HIT, operates two container berths and five barge berths at Kwai Tsing. In 2008, approximately 9.1 million TEUs passed through the 14 berths operated by HIT and COSCO-HIT, 1% better than 2007. HIT and COSCO-HIT occupy approximately 141 hectares of terminal space which is held under leases granted by the Hong Kong Government expiring in 2047. Historically, the Hong Kong Government has controlled the amount of land used for container terminals.

The following table summarizes HIT and COSCO-HIT's container throughput for the years indicated:

HIT and COSCO-HIT Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput[1] (in thousands of TEUs)			
Local	5,229.3	5,248.1	5,095.8
Transshipment	3,006.0	3,724.7	3,995.7
Total	8,235.3	8,972.8	9,091.5

(1) The published statistics from the Hong Kong Marine Department for the total of local and transshipment throughput incorporate liftings to or from oceangoing vessels and containers received from or delivered to ports located within the river trade zone (as defined by the Hong Kong Marine

Department) by water-borne traffic. The published statistics are not directly comparable to throughput figures of HIT and COSCO-HIT shown above for Hong Kong, which exclude this water-borne traffic, in order to be consistent with the treatment of containers transported to or from locations within the river trade zone by trucks.

HIT emphasizes on the quality of service it provides to its customers and its operations are designed to meet its customers' needs. HIT operates 24 hours a day, every day of the year. HIT's employees have significant experience in the operations of container terminals and are continuously trained to maintain and improve their level of professional expertise. HIT's contracts with customers range from one to ten years. HIT's and COSCO-HIT's major customers include shipping lines such as American President Lines Limited, COSCO Container Lines Company Limited, China Shipping Container Lines Company Limited, CMA CGM, Evergreen Marine Corporation (Taiwan) Limited, Hanjin Shipping Co. Ltd, Hyundai Merchant Marine Company Limited, Kawasaki Kisen Kaisha Limited, Mitsui OSK Lines Limited, Mediterranean Shipping Company, S.A., Wan Hai Lines Limited and Yang Ming Lines Limited.

River Trade Terminal Company Limited

Hutchison's ports division has a 50% equity interest in River Trade Terminal Company Limited ("RTT") which operates a fully operational 65-hectare river trade terminal with 49 barge berths at Tuen Mun, Hong Kong. RTT handled throughput of 2.1 million TEUs in 2008, a decrease of 6% from 2007.

Ports in the Mainland

Yantian Port

Hutchison's ports division has a 48% interest in YICT, which owns and manages Phases I and II of Yantian Port, the first deep-water port in the southern Mainland. Yantian Port opened in 1994 and is located in Da Peng Bay, three kilometers from the Hong Kong border. Phases I and II of Yantian Port provides 118 hectares of yard space, six container berths and three general cargo berths. Yantian Port has a direct rail link to a railway serving the two southern Mainland cities of Shenzhen and Guangzhou and to a road network connecting to Hong Kong and the southern Mainland. Yantian Port was a pilot port in the Mainland to implement international customs procedures in the transshipment of cargo.

In December 2002, Hutchison's ports division formed a joint venture company, Yantian International Container Terminals (Phase III) Limited, in which it holds a 42.74% interest, to develop terminal facilities at Phase IIIA of Yantian Port. The new terminal, adjacent to the existing Phases I and II facilities, comprises four container berths and all berths commenced operation before November 2005. In November 2005, Hutchison announced the commencement of a Phase III expansion project. This expansion comprises six deep-water container berths with a total quay length of 3,297 meters. The first berth commenced operation in August 2006 and the entire project is expected to be completed in stages by 2010. Yantian Port handled throughput of 9.7 million TEUs in 2008, a decrease of 3% from 2007. In October 2007, Hutchison's ports division raised its stake in Shenzhen Yantian West Port Terminals Limited from 27.40% to 42.74%. The principal activities of this joint-venture company are the development, operation and management of berthing terminal and related services at West Port, which is adjacent to existing Yantian Port Phases I and II facilities. In August 2008, the Phase II expansion project for Shenzhen Yantian West Port Terminals was approved. The expansion comprises three container berths with a total quay length of 1,142 meters. In December 2008, Hutchison's ports division signed a Heads of Agreement with the Shenzhen Yantian Port Group for the joint construction and development of the Shenzhen Yantian East Port Phase I Container Terminal Project (East Port Phase I) at Yantian Port. East Port Phase I will cover a total area of 138.56 hectares. Upon completion, it will have a total quay length of 1,442 meters consisting of four deepwater berths — two 6,600-TEU berths and two 9,500-TEU berths.

The following table summarizes Yantian Port container throughput for the years indicated:

Yantian Port Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	8,864.6	10,016.2	9,683.5
Transshipment	—	—	—
Total	8,864.6	10,016.2	9,683.5

Shanghai Ports

Shanghai was one of the busiest ports in the world in terms of container throughput in 2008. Hutchison's ports division's interest in Shanghai ports includes the operations under Shanghai Container Terminals Limited, Shanghai Pudong International Container Terminals Limited and Shanghai Mingdong Container Terminals Limited. The Shanghai ports, comprising 17 container berths, handled 9.5 million TEUs in 2008, a decrease of 2% from 2007.

The following table summarizes the combined container throughput of the three Shanghai ports for the years indicated:

Shanghai Ports Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	6,852.4	7,024.3	6,873.5
Transshipment	2,300.8	2,661.3	2,579.7
Total	9,153.2	9,685.6	9,453.2

Shanghai Container Terminals Limited. Hutchison's ports division owns a 37% equity interest in SCT, which is a joint venture with Shanghai International Port (Group) Co. Ltd. SCT commenced operations in August 1993. SCT operates three terminals at Zhanghuabang, Jungonglu and Baoshan, comprising 10 container berths.

Shanghai Pudong International Container Terminals Limited. Hutchison's ports division owns a 30% interest in SPICT, which operates three container berths at Phase I of the Waigaoqiao terminals.

Shanghai Mingdong Container Terminals Limited. Hutchison's ports division holds a 50% interest in SMCT, which operates four deep-water container berths and two feeder berths facilities at Waigaoqiao Phase V. The joint venture commenced operation in December 2005.

Yangshan Phase II Terminal. In December 2005, Hutchison entered into a joint venture agreement with various parties to acquire, develop, operate and manage the Phase II Container Terminal at Yangshan Port in Shanghai, which comprises four deep-water berths with a depth alongside exceeding 15 meters and a quay length of 1,400 meters. This joint venture project is subject to the final approval by the PRC government.

Ningbo Beilun International Container Terminals Limited ("NBCT")

Hutchison's ports division holds a 49% interest in NBCT which operates Phase II at Ningbo Beilun Port, a natural deep-water port. The facility is situated on 75.7 hectares of land and is equipped with three container berths. The joint venture company handled 1.9 million TEUs in 2008, 1% below 2007.

Hutchison Delta Ports Limited ("Delta Ports")

Delta Ports, a wholly-owned subsidiary of Hutchison's ports division, holds and manages Hutchison's existing interests in river and coastal ports in the Mainland and invests in, develops and operates new river and coastal ports in the Mainland in conjunction with local government entities as its joint venture partners. Delta Ports currently operates and manages joint venture facilities in Jiuzhou, Gaolan, Nanhai, Jiangmen, Shantou, and Xiamen. Except for Shantou and Xiamen, these joint venture facilities are 50% owned by Delta Ports. The Shantou port is 70% owned by Delta Ports and the Xiamen port is 49% owned by Delta Ports.

Jiuzhou, Gaolan, Nanhai, Jiangmen, Shantou and Xiamen handled a total of 2.2 million TEUs in 2008, a decrease of 7% in container throughput from 2007, and 5.4 million tons of non-containerized cargo in 2008, a decrease of 2% in non-containerized cargo throughput from 2007.

In March 2005, Hutchison obtained approval to invest in the Phase II expansion of Zhuhai International Container Terminals in Gaolan, to construct two container berths with total quay length of 824 meters and a depth alongside of 15.8 meters. Trial operations began in December 2008 and the two berths are scheduled to be fully operational in the second half of 2009.

In May 2007, Hutchison set up a new joint venture for the operation of Berth 1 at Haicang, Xiamen. Hutchison's ports division holds a 49% interest in the new joint venture facility with a total quay length of 443 meters and a depth alongside of 17.5 meters. Operations commenced in 2008.

Huizhou Port Industrial Corporation Limited ("HPIC")

In January 2006, Hutchison's ports division acquired a 33.59% interest in HPIC. It is a multi-purpose terminal with five oil and gas berths, three non-containerized cargo berths and one feeder container berth. HPIC handled 72,600 TEUs and 3.8 million tons of non-containerized cargo in 2008.

Huizhou Quanwan International Container Terminals ("HQCT")

In June 2007, Hutchison's ports division signed a joint venture agreement with Huizhou Ports Container Terminals Investment Limited to construct two new 50,000-ton container berths in Huizhou. The ground breaking ceremony at HQCT was held in January 2009. HQCT will be the first dedicated container terminal in Huizhou Port and have a total berth length of 800 meters, an area of 60 hectares, and a depth alongside and approaching channel of 15.2 meters.

Ports in the UK and Continental Europe

United Kingdom

Hutchison's UK port operations consist of Port of Felixstowe Limited, Thamesport (London) Limited and Harwich International (Holdings) Limited with 13 container berths. The UK ports handled 3.8 million TEUs in 2008, a decrease of 1% from 2007. The ports at Felixstowe together with London Thamesport handled approximately 43% of the estimated UK's container throughput in 2007.

Port of Felixstowe Limited. Hutchison's ports division has a 100% equity interest in Port of Felixstowe Limited ("Felixstowe"), the largest container facility in the UK. Felixstowe has three terminals including: Trinity, which can berth seven deep-sea container ships at any one time; Landguard, serving short-sea container operations; and Dooley, primarily a roll-on/roll-off facility. In May 2008, Felixstowe announced the commencement of construction work of Phase I of its Felixstowe South Reconfiguration scheme. Phase I comprises 730 meters of deepwater container quay and related infrastructure.

Thamesport (London) Limited. Hutchison's ports division has an 80% equity interest in Thamesport (London) Limited ("London Thamesport") in the UK. Thamesport is a modern container terminal on the Thames estuary 35 miles from London and has seven post-Panamax ship-to-shore quay cranes.

Harwich International (Holdings) Limited. Hutchison's ports division has a 100% equity interest in Harwich International (Holdings), which is situated one mile from Felixstowe on the opposite side of the Harwich Haven estuary. It has strong links with Northern Europe and Scandinavia, particularly through regular passenger and freight roll-on/roll-off services and cruise vessels. It also handles liquid bulks and agricultural products. The purchase of 102 hectares of land at Bathside Bay adjacent to Harwich was completed in December 2000 at a cost of £10 million (approximately HK$116 million). Hutchison intends to develop this land into a four-berth deep-sea container terminal with a capacity of 1.7 million TEUs. A public inquiry was completed in 2004 and the UK Government approved the development in March 2006.

The following table summarizes the combined container throughput with respect to Felixstowe and London Thamesport for the years indicated:

UK Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	3,170.9	3,450.6	3,441.2
Transshipment	433.1	383.2	370.0

Total	3,604.0	3,833.8	3,811.2

Continental Europe

The Netherlands

Europe Container Terminals. Hutchison's ports division has a 93.5% equity interest in ECT in Rotterdam, the Netherlands. Through ECT, it has an 89.37% equity interest in ECT Delta Terminal B.V. and 93.5% equity interest in ECT Home Terminal B.V. in Rotterdam, the Netherlands. Rotterdam was the ninth largest port in the world in terms of throughput in 2008. ECT is one of the largest container operators in Europe, operating two deep-sea container terminals with eleven container berths. ECT handled 6.3 million TEUs in 2008, an increase of 2% from 2007. ECT also has equity interests in inland facilities in the ports of Venlo in the Netherlands, Duisburg in Germany and Willebroek in Belgium.

ECT Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	3,723.0	4,001.2	4,083.3
Transshipment	1,766.9	2,192.4	2,232.3
Total	5,489.9	6,193.6	6,315.6

Hutchison's ports division initially had a 50% interest in Euromax Project through ECT. In November 2006, ECT acquired the remaining 50% interest in Euromax Terminal.

In December 2006, ECT signed a Memorandum of Understanding with an alliance of various shipping lines to develop and operate Phase I of the Euromax Project. The Phase I of the Euromax Terminal has an area of 85.6 hectares, a quay length of 1,500 meters and a depth alongside of 16.65 meters.

In November 2007, ECT disposed the assets of ECT Hanno Terminal and a 50% interest in Rotterdam Short Sea Terminals.

In December 2008, Hutchison's ports division and Nippon Yusen Kabushiki Kaisha ("NYK") signed a share-swapping agreement through which Hutchison's ports division acquired a 70.08% interest in ACT which operates one 400-by-57-meter indented berth and two conventional berths with a combined length of 615 meters in Amsterdam, the Netherlands. In exchange for the majority stake in ACT, NYK has a minority stake in ECT in Rotterdam.

Poland

Gdynia Container Terminal S.A. The Port of Gdynia is located on the southern coast of the Baltic Sea where 90% of Polish sea-borne containerized cargo is handled. It was acquired in January 2005 and Hutchison's ports division has an 83.53% interest in GCT at the Port of Gdynia. In December 2006, Hutchison's ports division increased its shareholding in GCT to 99.15%. Phase I of the container terminal was completed in April 2006 and is now operational. Throughput was 167,100 TEUs in 2008, an increase of 45% from 2007. Further growth and expansion of the terminal is in progress.

Spain

Terminal Catalunya S.A. Hutchison's ports division has a 70% equity interest in TERCAT, which currently operates a four-berth facility. The Barcelona Port Authority has awarded TERCAT with a 30-year concession to build and operate a new seven-berth container terminal, Prat Pier Container Terminal, at the Port of Barcelona, Spain. This new terminal will be developed in two phases over the next eight years. TERCAT handled approximately 1.1 million TEUs in 2008, close to the volume handled in 2007.

Italy

Taranto Container Terminal S.p.A. In December 2008, Hutchison's ports division entered into a share swap transaction with Evergreen Group. Since completion, Hutchison's ports division has held a 50% interest in TCTI in Italy in exchange for minority stakes in London Thamesport and ECT Delta Terminal. TCTI has a total quay length of 2,050 meters with a land area of 102 hectares and a depth alongside of 15.5 meters. The facility commenced operations in 2001 under a 60-year concession.

Sweden

Container Terminal Frihamnen. In December 2008, the Ports of Stockholm and Hutchison's ports division signed two agreements. The first agreement grants the ports division the right to operate Container Terminal Frihamnen for 10 years from March 1, 2009. The second agreement permits the ports division to develop and operate for 25 years new container-handling facilities at the Port of Nynäshamn, Norvikudden, approximately 60 kilometers south of Stockholm. The new terminal will cover an area of 25 hectares and will be developed over time to a total quay length of 800 meters and a depth alongside of 15 meters. The right to operate the existing Container Terminal Frihamnen will terminate early if the new facilities are completed before the 10 year term expires.

Ports in Asia, Middle East and Africa

Indonesia

Jakarta International Container Terminal. Hutchison's ports division has a 51% interest in JICT, located at Tanjung Priok Port in Jakarta. JICT is the largest port operator in Indonesia with eight berths.

Koja Container Terminal. Hutchison's ports division has an effective 44.68% interest in Koja Container Terminal at Tanjung Priok Port in Jakarta. Koja Container Terminal is adjacent to JICT and has two berths.

The combined throughput handled by the two ports in Indonesia was 2.7 million TEUs in 2008, an increase of 7% from 2007.

The following table summarizes JICT's and Koja Container Terminal's container throughput for the years indicated:

Indonesia Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	2,075.6	2,405.7	2,602.8
Transshipment	126.8	120.6	97.7
Total	2,202.4	2,526.3	2,700.5

Malaysia

Westports Malaysia. Hutchison's ports division has a 31.5% equity interest in Westport Holdings Sdn. Bhd., the holding company of KMT at Port Klang, Malaysia. KMT, which is strategically located on the Straits of Malacca, is an integrated terminal situated on 587 hectares of land with terminal handling facilities for containers, dry bulk, liquid bulk and other conventional cargo. KMT has 10 container berths and handled 4.6 million TEUs in 2008, an increase of 16% from 2007.

Malaysia Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	1,063.1	1,235.1	1,431.5
Transshipment	2,328.3	2,767.4	3,199.0

Total	3,391.4	4,002.5	4,630.5

South Korea

Hutchison Korea Terminals. Hutchison's ports division holds interests in two terminals in Busan Port, the world's fifth largest container port in terms of throughput in 2008, and one terminal at Gwangyang Port, South Korea's second largest deep-sea port. The three terminals have seven container berths and handled 2.8 million TEUs in 2008, 8% below 2007.

HKT Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	1,720.6	1,748.8	1,654.1
Transshipment	1,239.1	1,274.0	1,126.5
Total	2,959.7	3,022.8	2,780.6

Korea International Terminals. Hutchison's ports division has an equity interest of 88.9% in the consortium, KIT, which it has formed with Hanjin Shipping Co. Ltd. and Hyundai Merchant Marine Co. Ltd. to develop and operate Phase II of the Gwangyang Port in South Korea. This five-berth terminal handled 455,400 TEUs in 2008, 16% above 2007.

Thailand

Thai Laemchabang Terminal Company Limited. Hutchison's ports division has an 87.5% interest in TLT, which owns a multi-purpose facility with two container berths. The terminal is located at Chon Buri's Laem Chabang Port in the Gulf of Thailand, which is 100 kilometers from Bangkok and 25 kilometers from Pattaya City.

Hutchison Laemchabang Terminal Limited. Hutchison's ports division has an 80% interest in HLT. In October 2004, Hutchison and Port Authority of Thailand signed a concession agreement that gave Hutchison, in addition to the existing terminal, a 30-year construction, management and operation right over a 11-berth facility to be completed over seven years and 141 hectares of land adjacent to the existing port, with an option to renew for two further 10-year periods. Three of the total six terminals are now in operation, the remaining terminals are expected to commence operation in phases by 2011.

Laemchabang International Ro-Ro Terminal. Hutchison's ports division has an 80% interest in LRT. In August 2005, LRT was awarded a 30-year concession to build and operate a new ro-ro terminal with general cargoes handling facility in Laem Chabang deep-sea port, with an option to renew for two additional 10-year periods. This terminal commenced operation in February 2007.

The terminals in Laemchabang handled combined throughput of 1.1 million TEUs in 2008, a decrease of 2% from 2007.

Pakistan

Karachi International Container Terminal. Hutchison's ports division has a 100% equity interest in KICT, which is one of the operators in the Port of Karachi in Pakistan. KICT operates two container berths and handled 658,000 TEUs in 2008, an increase of 16% from 2007. In January 2005, KICT entered into an agreement with the Karachi Port Trust for the development of its Phase III project at West Wharf of Karachi Port. In addition to extending the existing concession period to around 2028, the project involves deepening the depth alongside, re-developing an adjacent land area and acquiring additional quayside and container yard equipment. Phase III extension is scheduled to commence commercial operation in 2009.

Karachi New Port Container Terminals. In November 2007, Hutchison's ports division signed an agreement with Karachi Port Trust to build and manage a new container terminal in Keamari Groyne through KNP, a newly established joint-venture company. This is a new port with concession period of 25 years, extendable for another 25 years. The new container terminal is expected to be operational in two to three years time. Upon completion, KNP will have four berths with a total quay length of 1,500 meters, a yard area of 85 hectares and depth alongside up to 18 meters.

Saudi Arabia

International Ports Services. Hutchison's ports division has a 51% interest in IPS, which operates at the Port of Dammam in Saudi Arabia with four container berths. IPS handled 1.3 million TEUs in 2008, an increase of 16% from 2007.

Tanzania

Tanzania International Container Terminal Services. Hutchison's ports division has a 70% interest in TICT. TICT is located at Dar es Salaam in Tanzania. The Port of Dar es Salaam handles more than three quarters of Tanzania's trade and is the largest city, industrial center and business capital in Tanzania. It has rail and road links to more than six land locked countries and serves as a major logistics gateway to Eastern, Central and Southern Africa. TICT operates three container berths. TICT handled 356,600 TEUs in 2008, an increase of 4% over 2007.

Egypt

Alexandria International Container Terminals. In March 2005, Hutchison entered into agreements with a consortium led by the Alexandria Port Authority for the construction, operation, and management of two terminals at Alexandria Port and El Dekheila Port (16 kilometers west of Alexandria Port) in Egypt. Both terminals are located within the Port of Alexandria, which is the major hinterland port in Egypt. Alexandria International Container Terminals, a new joint-venture company established between Hutchison's ports division and the consortium, is developing these terminals into modern container handling facilities. The facilities of the two terminals at Alexandria and El Dekheila commenced operation in March and June 2007 respectively and handled 381,400 TEUs in 2008. In December 2008, Hutchison's ports division completed a transaction to increase its equity interest in the terminals from 38% to 50%.

Oman

Oman International Container Terminal. In November 2005, Hutchison entered into an agreement with the Sohar Industrial Port Company to invest and operate a container terminal in the Port of Sohar, Oman. The Port of Sohar is located outside the Strait of Hormus in the Gulf of Oman, approximately 200 kilometers from Muscat and 160 kilometers from Dubai. OICT has been formed by Hutchison's ports division together with the Government of Oman, Steinweg of the Netherlands and a number of other well-established Omani investors. The terminal with a quay length of 520 meters and a depth alongside of 16.5 meters, commenced operation in January 2007.

Myanmar

Myanmar International Terminals Thilawa. Hutchison's ports division also has an interest in Myanmar International Terminals Thilawa Limited ("MITT") which has a long-term concession to operate the container port facility at Thilawa (Yangon), Myanmar, with five container berths. In September 2007, Hutchison's ports division increased its shareholding in MITT from 85% to 100%.

Vietnam

Saigon International Terminals Vietnam. In February 2007, Hutchison's ports division formed a joint venture with Saigon Investment Construction & Commerce Company Limited and has a 70% equity interest in Saigon International Terminals Vietnam Limited for the joint construction, development and operation of a new container terminal in Ba Ria Vung Tau Province, Vietnam. The new container terminal has a concession period of 50 years and is expected to commence operation in 2010.

Ports in the Americas and the Caribbean

Panama

Panama Ports Company. Hutchison's ports division operates the ports of Balboa on the Pacific Ocean side and Cristobal on the Atlantic Ocean side of the Panama Canal, under a long-term concession agreement and has created a modern post-Panamax transshipment facility with four container berths. The ports of Cristobal and Balboa provide the link and strategic access for the transatlantic and transpacific trades to the east and west coasts of the Americas. In addition, Balboa is strategically located to participate in the transshipment trade between Asia, the west coast of the United States, and the west and east coasts of Central and South America and the Caribbean. Cristobal and Balboa handled 2.4 million TEUs in 2008, an increase of 21% from 2007. Further capacity expansion at Balboa and Cristobal are underway to meet additional demand.

PPC Container Throughput

	Year Ended December 31,		
	2006	2007	2008
Container throughput (in thousands of TEUs)			
Local	212.6	277.4	410.3
Transshipment	1,043.3	1,722.8	2,007.1
Total	1,255.9	2,000.2	2,417.4

Mexico

Hutchison's Mexico port operations consist of operations in Veracruz, Lazaro Cardenas, Ensenada and Manzanillo. The Mexico ports handled combined throughput of 1.5 million TEUs in 2008, an increase of 14% from 2007.

Internacional de Contenedores Asociados de Veracruz. Hutchison's ports division has a 100% equity interest in ICAVE, which is located at the Port of Veracruz on the eastern coast of Mexico. In addition to facilities for handling containers, bulk and general cargo, ICAVE is equipped with a container freight station, intermodal station, and empty container depot and repair facilities.

L. C. Terminal Portuaria de Contenedores. In July 2003, Hutchison's ports division acquired a 51% interest in L. C. Terminal Portuaria de Contenedores S.A. de C.V., ("LCT"), which is located at the Port of Lazaro Cardenas on the western coast of Mexico. In October 2005, Hutchison's ports division exercised its option to increase its interest to 100%. In April 2003, LCT was awarded a concession to further develop and operate container handling facilities in the Port of Lazaro Cardenas, on the Pacific coast of Mexico. LCT's long-term concession allows for the immediate re-opening of an existing one-berth terminal, as well as providing development rights for an 85-hectare deep-water greenfield site. LCT announced the official opening of Phase IA in 2007. The other phases of this terminal will be completed according to demand.

Ensenada International Terminal. Hutchison's ports division has a 100% equity interest in Ensenada International Terminal ("EIT"), which is located at the Port of Ensenada, Mexico. EIT is strategically situated 110 kilometers south of the U.S.-Mexico border along the Pacific Ocean.

The Bahamas

Freeport Container Port Limited. Hutchison's ports division has a 51% interest in FCP on Grand Bahama Island in the Bahamas. The Phase IV expansion plan was completed in early 2005. The facility currently has more than 1,000 meters of quay and 49 hectares of container yard. The Port of Freeport is the closest offshore port to the east coast of the United States and is strategically located between Europe, North and South America and the Panama Canal. FCP handled 1.7 million TEUs in 2008, an increase of 4% from 2007. Further expansion in FCP for relieving congestion at peak times commenced in 2007, and is progressing satisfactorily. In January 2008, Hutchison's ports division decreased its equity interest in FCP from 60% to 51%.

Argentina

Buenos Aires Container Terminal Services. Hutchison's ports division has a 100% equity interest in Buenos Aires Container Terminal Services S.A. ("BACTSSA"), which is located at Terminal 5 at the Port of Buenos Aires, Argentina. BACTSSA has modern equipment and facilities, including a container freight station and logistics center. BACTSSA handled 394,500 TEUs in 2008, an increase of 20% from 2007.

Port Related Services

Hutchison's ports division owns a 100% interest in Asia Port Services, which is one of the largest mid-stream operators in Hong Kong. Asia Port Services operates five barge berths. Asia Port Services handled a throughput volume of 1.0 million TEUs in 2008, a decrease of 5% from 2007.

Hutchison's ports division owns 50% interests in both Hongkong United Dockyards Limited and The Hongkong Salvage and Towage Company Limited (collectively "HUD group"). HUD group provides both marine and ground engineering services from its floating docks and workshop complex. In addition to ship maintenance and repair, HUD group is a leading contractor for steelwork, mechanical and electrical engineering, and industrial and heavy engineering. It has the largest and one of the most modern fleets of tugs in Hong Kong. Its services include harbor towage, deep-sea towage, salvage, as well as tug design, supervision and consultancy. In July 2007, HUD group sold its 55% shareholding in a harbor towage operation in Australian Marine Services Pty Ltd in Australia.

Hutchison's ports division has a 70.8% interest in Shenzhen Hutchison Inland Container Depots Co., Ltd., which is operating a container depot and warehousing facilities in Shenzhen in the Mainland to provide logistics services, including cargo consolidation, storage and distribution, quality inspection, warehousing, container storage and repair, transportation and other related services. This facility serves to enhance container traffic through Yantian Port.

Hutchison's ports division has a 50% interest in Freeport Harbour Company, a major cruise ship passenger terminal on Grand Bahama Island in the Bahamas. Freeport Harbour Company also holds a 100% interest in The Grand Bahama Airport Company, which operates the international airport on the island.

Hutchison's ports division has a 100% equity interest in Ensenada Cruiseport Village in Mexico, which is an important international port for worldwide and Pacific Coast cruise ships. Ensenada Cruiseport Village also has marina facilities.

Hutchison's ports division has a 100% equity interest in Terminal Internacional de Manzanillo S.A. de C.V. ("TIMSA"). TIMSA is a multi-purpose stevedoring operation, which provides services at the Port of Manzanillo, Mexico. The port is strategically situated along the west coast of Mexico and is connected to major trade routes linking the Americas and Asia.

Hutchison's ports division has a 100% equity interest in Talleres Navales del Golfo, S.A. de C.V. ("TNG"), which provides maintenance, technical support, conservation and repair services to vessels, platforms and any other kind of maritime structures.

Hutchison's ports division has a 49% interest in Savi Networks LLC in the United States, which provides easily accessible and precise information on the global location, security and condition of inventory transported by container shipments through its real time SaviTrak™ intelligence service.

Property and Hotels

As of December 31, 2008, Hutchison maintained a portfolio of approximately 15.5 million square feet of long-term property holdings for rental mainly in Hong Kong and the Mainland, consisting of office buildings, retail shops in commercial complexes, industrial buildings, hotels and residential units. Gross rentals from Hutchison's investment properties were HK$2,807 million in 2006, HK$3,029 million in 2007, and HK$3,399 million (US$436 million) in 2008. Hutchison has a current attributable landbank which can be developed over time into approximately 103 million square feet of mainly residential property, primarily in the Mainland.

Hutchison also acts as a developer of residential, commercial, office, hotel and recreational projects, principally in the Mainland and also in Hong Kong, Singapore and the UK. Revenue from sales of Hutchison's development properties, including its share of revenues of associates, were HK$4,324 million in 2006, HK$2,602 million in 2007 and HK$3,162 million (US$405 million) in 2008. In the past, Hutchison redeveloped long-held properties in Hong Kong and also entered into joint ventures with Cheung Kong Holdings in connection with major property development projects. The number of properties under development in Hong Kong has declined since 1999; however, Hutchison has increased its development activities in the Mainland. Hutchison's current policy is to retain its office buildings and, selectively, major commercial areas and hotels of its property development projects as long-term holdings in order to increase its base of recurrent rental income. Hutchison also seeks to replenish its landbank in the Mainland as it believes development projects in the Mainland offer a satisfactory return.

In the Mainland, Hutchison enters into joint ventures with Cheung Kong Holdings and local Chinese partners to build its development properties. Hutchison seeks to fund its property development activities in the Mainland with bank loans at attractive interest rates and the remaining funding requirements are sourced from cash on hand and cash from consolidated operations.

Hutchison also manages investment properties and development activities for Hutchison and certain of its associates and JCEs. In addition, it has ownership interests in 12 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed through its 50% owned hotel management joint venture, which in addition manages one other independently owned hotel.

The Hong Kong Property Market

Property Rights and Government Policies

Hong Kong consists primarily of Hong Kong Island, Kowloon Peninsula and the New Territories, and has a total land area of approximately 414 square miles. Virtually all land in Hong Kong is effectively owned by the Hong Kong Government. Land held by private parties is generally leased from the Hong Kong Government under long-term leases. Such leases are for a nominal annual rent. The lessee of the Hong Kong Government lease is commonly referred to as the owner of the leased property.

The Hong Kong Government has historically engaged in large scale reclamation of land which, when released for development, has significantly increased the supply of land for development in Hong Kong. The Hong Kong Government is currently considering, among other reclamation projects, a large scale reclamation project in conjunction with the redevelopment of the site of the former Kai Tak International Airport in Kowloon and in Central.

In January 2004, the Hong Kong Government resumed the Application List System for land sales, under which sites are offered for sale through auction or tender upon application by developers offering a minimum price acceptable by the Government. The policy objective is to ensure a continual supply of land to meet market demand, while keeping to a minimum intervention in the property market. A total of nine pieces of land were auctioned successfully in 2005 and 2006, 12 pieces in 2007 and one piece in 2008.

Property Rentals and Values

Property values and rental rates in Hong Kong have historically been cyclical in nature. Property prices have been on a decline since 1998, but started to increase in the latter part of 2004; 2005 to the first half of 2008 saw a continuing rebound in the property market, with upward movements in both prices and rents for all property sectors. Property rentals and values declined again since late 2008 with the slowdown of the overall economy in Hong Kong. In view of the rising unemployment rate in Hong Kong, the demand in the property market is expected to remain at low levels in 2009. Property rentals and values may not fully recover in the near term. In particular, average rents in Hong Kong fell in 2008 and it is forecasted that Hong Kong office rental prices will continue to fall in 2009. Such factors will negatively affect the turnover and profit of the property and hotels division.

Office

The tables set forth below provide information on new supply, take-up, vacancy and vacancy rates of office property for the each of the years from 1999 to 2008:

All-Grades Office — Supply, Take-Up, Vacancy and Vacancy Rate
(net area in thousands of square feet)[(1)]

	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
New supply within the year	4,595	1,022	818	1,786	3,217	3,002	366	1,162	3,443	3,669
Take-up within the year	5,391	4,562	32	2	1,270	4,013	4,519	1,797	1,829	3,712
Vacancy at year end	13,525	9,985	10,889	12,643	14,354	13,342	9,189	8,102	9,695	9,393
Vacancy rate at year	14.0	10.2	11.1	12.6	14.0	12.7	8.7	7.7	8.9	8.4

end (%)

[(1)] All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong Government.

Completion of Grade A office space was low in 2000 and 2001, but increased significantly between 2002 and 2004. Completions in 2005 fell considerably, but rose to higher levels between 2006 and 2008.

Grade A Office[(1)] — Supply, Take-Up, Vacancy and Vacancy Rate
(net area in thousands of square feet)[(2)]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
New supply within the year	3,691	678	656	1,259	2,851	2,529	323	990	3,077	3,562
Take-up within the year	4,670	3,088	570	22	667	2,690	3,486	872	1,506	3,766
Vacancy at year end	7,198	4,799	4,853	6,090	8,092	8,135	4,971	4,767	6,338	6,144
Vacancy rate at year end (%)	12.9	8.7	8.7	10.8	13.7	13.1	8.1	7.6	9.7	8.9

[(1)] Grade A office is an office which is modern with high quality finishes, flexible layout, large floor plates, spacious lobbies and circulation areas, effective central air conditioning, good lift service zoned for passengers and goods deliveries, good management and parking facilities normally available.

[(2)] All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong Government.

Commercial

The table set forth below provides information on new supply, take-up, vacancy and vacancy rates of commercial properties for the each of the years from 1999 to 2008:

Commercial — Supply, Take-Up, Vacancy and Vacancy Rate
(net area in thousands of square feet)[(1)]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
New supply within the year	2,206	689	1,420	1,485	1,270	979	1,194	1,969	516	527
Take-up within the year	2,034	2,066	398	-1,184	581	710	1,496	1,894	2,270	-420
Vacancy at year end	8,866	7,263	8,081	10,663	10,782	10,964	10,545	11,007	9,135	9,899
Vacancy rate at year end (%)	9.2	7.5	8.2	10.7	10.8	10.8	10.3	9.8	8.1	8.7

[1] All figures are converted from square meters at 1 square meter = 10.76 square feet. Net area refers to the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong Government.

Residential

The table set forth below provides information on new supply, take-up, vacancy and vacancy rates of residential properties for each of the years from 1999 to 2008:

Residential Units — Supply, Take-Up, Vacancy and Vacancy Rate
(number of units)[1]

	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
New supply within the year	35,320	25,790	26,260	31,050	26,400	26,040	17,320	16,580	10,470	8,780
Take-up within the year	19,560	29,180	19,320	18,240	22,490	31,400	17,450	16,400	19,850	6,890
Vacancy at year end	59,140	54,950	60,410	65,270	68,780	64,250	63,540	62,670	52,470	52,940
Vacancy rate at year end (%)	5.9	5.4	5.7	6.6	6.8	6.2	6.0	5.9	4.9	4.9

[1] 1999-2001 figures include of village houses. However, 2002-2008 figures exclude village houses.

Source: Hong Kong Property Review, Rating and Valuation Department of the Hong Kong Government.

Rental Properties

Hong Kong

As of December 31, 2008, Hutchison owned and maintained a portfolio of approximately 12.6 million square feet (including 2.4 million square feet occupied by Hutchison tenants) of commercial, office, industrial and residential properties for rental in Hong Kong. These properties are currently, and have been for the last three years, substantially fully rented. Hutchison's rental properties include interests in Hutchison House, Aon China Building and Cheung Kong Center, one of Hong Kong's most modern and technologically advanced office buildings, located in the Central district of Hong Kong. Hutchison and Cheung Kong Holdings currently have their headquarters in Hutchison House and Cheung Kong Center, respectively.

The following table summarizes certain information as of December 31, 2008 with respect to Hutchison's properties held for rent in Hong Kong:

Rental Properties — Hong Kong

Rental Properties	**Year Completed**	**Percentage Interest**	**Hutchison's Share of Total Gross Floor Area for Rent** (in thousands of square feet)
Office			
Hutchison House	1974	100	504

Aon China Building	1978	100	259
Harbourfront Office Towers I and II	1994	100	863
Cheung Kong Center	1999	100	1,263
Others	Various	Various	511
			3,400
Commercial			
Whampoa Garden	Various	100	1,714
Aberdeen Centre	1982	100	345
Provident Centre	1984	100	210
Belvedere Garden Phases 1 and 3	1987/1991	100	153
Belvedere Garden Phase 2	1989	65	120
Others	Various	Various	371
			2,913
Industrial			
Watson Centre	1978	100	687
Watson House	1982	100	281
Cavendish Centre	1984	100	343
Food Distribution Depot	1991	100	142
Hutchison Logistics Centre	1992	88	4,705
Others	Various	Various	32
			6,190
Residential	Various	Various	80
Total			12,583

The following table sets forth Hutchison's gross rental income and gross floor area of Hutchison's investment properties in Hong Kong for each of the years as indicated:

Rental Income — Hong Kong

	Year Ended December 31,					
	2006		2007		2008	
		%		%		%
Gross Rental Income (in HK$ millions)						
Office	999	44.8	1,177	47.5	1,391	50.5
Commercial	749	33.6	788	31.8	832	30.2
Industrial	452	20.3	486	19.6	503	18.2
Residential	31	1.3	26	1.1	31	1.1
Total	2,231	100.0	2,477	100.0	2,757	100.0
(rental income from Hutchison tenants included above)	266		267		296	
Gross Floor Area (in thousands of square feet)						
Office	3,402	26.5	3,400	26.8	3,400	27.0
Commercial	3,036	23.7	3,012	23.8	2,913	23.2
Industrial	6,290	49.0	6,189	48.8	6,190	49.2
Residential	102	0.8	80	0.6	80	0.6
Total	12,830	100.0	12,681	100.0	12,583	100.0
(floor area occupied by Hutchison tenants included above)	2,389		2,386		2,385	

The following table sets forth the occupancy rate and the average effective monthly rental for Hutchison's office, commercial, industrial and residential spaces in Hong Kong as of the dates indicated:

Occupancy and Effective Monthly Rent — Hong Kong

	Year Ended December 31,		
	2006	2007	2008
Occupancy Rate (in #%)			
Office	98	99	97
Commercial	96	97	97
Industrial	99	99	100
Residential	87	96	86
Average Effective Monthly Rental[(1)] (in HK$)			
Office	30	32	43
Commercial	23	24	25
Industrial	6	7	7
Residential	27	33	39

(1) Total lease rental divided by the total number of months in the lease period, including rent free months, divided by the number of lettable square feet.

Set out below is a brief description of each of Hutchison's principal rental properties in Hong Kong:

Cheung Kong Center. Cheung Kong Center, located in the Central district of Hong Kong, is a 1.26 million square feet Grade A office tower and public car park. The office tower, which is 100% owned by Hutchison, was completed in 1999 and comprises 62 stories. Principal tenants are generally multinational organizations, predominantly financial institutions, including Goldman Sachs, Deutsche Bank, ABN AMRO BANK and also Cheung Kong Holdings. As of December 31, 2008, Cheung Kong Center had an occupancy rate of 99%.

Hutchison House. Hutchison House is a 24-story, Grade A office building located in the Central district of Hong Kong. Hutchison has its headquarters in the building, which is 100% owned by Hutchison. The building, originally constructed in 1974, comprises approximately 504,000 square feet of office and commercial space. Long-term tenants include Ernst & Young, Baker & McKenzie and HSBC Broking Services (Asia) Ltd., each of whom has been a tenant since at least 1990. As of December 31, 2008, Hutchison House had an occupancy rate of 99%.

Aon China Building. Aon China Building is a 23-story, Grade A office building located in the Central district of Hong Kong, and is 100% owned by Hutchison. Aon China Building, constructed in 1978, comprises approximately 259,000 square feet of office and commercial space. Principal tenants include Aon Hong Kong Ltd. and UOB Kay Hian. As of December 31, 2008, Aon China Building had an occupancy rate of 96%.

Harbourfront Office Towers. Harbourfront Office Towers are 20-story, Grade A twin office towers located adjacent to Whampoa Garden in Hung Hom, East Kowloon, and are 100% owned by Hutchison. The towers comprise approximately 863,000 square feet of office space and were completed in 1994. In addition, the towers have a total of 214 car parking spaces. Principal tenants in the buildings include Satellite Television, Citibank and Hutchison Whampoa Property. As of December 31, 2008, the towers had an occupancy rate of 94%.

Whampoa Garden. Whampoa Garden, completed in 1991, consists of 88, 16-story residential towers on 12 sites located at the former Hung Hom dockyards in East Kowloon. Hutchison sold the residential units and retained a 100% interest in the commercial complex which, with approximately 1.71 million square feet of commercial space, is one of Hong Kong's largest shopping complexes and has become a leading commercial center in East Kowloon. Approximately HK$280 million was spent on the phased renovation and upgrading of the commercial complex completed in 1998 to modernize and enhance the overall appearance of the shopping complex. Tenants include retailers such as Jusco Department Store, Esprit Retail and UA Cinemas. Hutchison's retail chain stores, PARKnSHOP and Watsons Personal Care Stores, also occupy space in the complex. As of December 31, 2008, the complex had an occupancy rate of 100% for its commercial space.

Aberdeen Centre. Aberdeen Centre is a 345,000 square feet commercial complex located in Aberdeen on Hong Kong Island and was completed in 1982 and is 100% owned by Hutchison. Aberdeen Centre also has over 128 car parking spaces available for rental. As of December 31, 2008, Aberdeen Centre had an occupancy rate of 99%.

Hutchison Logistics Centre. Hutchison Logistics Centre, located at the Kwai Chung container terminal in Kowloon, is one of the largest commercial/industrial complexes in Asia and was completed in 1992. The complex comprises approximately 4.71 million square feet of office and warehouse area and has over 187 car parking spaces available for rental. Hutchison has an 88% interest in Hutchison Logistics Centre. As of December 31, 2008, the complex had an occupancy rate of 100%.

The Mainland and Overseas

As of December 31, 2008, Hutchison's joint ventures in the Mainland and Overseas had a portfolio of investment properties totaling 9.6 million square feet, of which Hutchison's share is 2.9 million square feet. The portfolio includes:

- Beijing Oriental Plaza, a 5.55 million square feet multiphase development of commercial podium, office, hotel and serviced apartments in Beijing. As of December 31, 2008, the complex had an occupancy rate of 89%;

- Westgate Mall and Tower, a commercial podium and office tower totaling 1.10 million square feet in Shanghai. As of December 31, 2008, the complex had an occupancy rate of 98%;

- Seasons Villas, a 1.15 million square feet low rise residential development in Shanghai. As of December 31, 2008, the completed phase of the complex had an occupancy rate of 74%; and

- Metropolitan Plaza, a 1.51 million square feet development comprising an office tower and a commercial podium in Chongqing. As of December 31, 2008, the complex had an occupancy rate of 97%.

In September 2006, Hutchison's joint venture sold the office portion of Pacific Century Place Marunouchi, a 786,000 square feet office and hotel development in Tokyo, Japan and Hutchison realized a gain of HK$1,393 million.

The following table summarizes certain information as of December 31, 2008 with respect to Hutchison's existing properties held for rent in the Mainland and overseas:

Rental Properties — The Mainland and Overseas

Rental Properties	**Year Completed**	**Percentage Interest**	**Hutchison's Share of Total Gross Floor Area for Rent**	
			(in thousands of square feet)	%
Commercial and Office				
Metropolitan Plaza	1997	50	756	26.3
Westgate Mall and Tower	1997	30	330	11.4
Beijing Oriental Plaza	2002	18	789	27.4
Others	Various	Various	135	4.7
			2,010	69.8
Residential				
Seasons Villas	2006	50	576	20.0
Beijing Oriental Plaza, Serviced Apartments	2002	18	209	7.3
Others	Various	Various	83	2.9
			868	30.2
Total			2,878	100.0

The following table sets forth Hutchison's gross rental income and gross floor area of Hutchison's joint venture investment properties in the Mainland for each of the years as indicated.

Rental Income — The Mainland and Overseas

	Year Ended December 31,		
	2006	2007	2008

		%		%		%
Gross Rental Income (in HK$ millions)						
Office	241	41.8	160	29.0	187	29.1
Commercial	230	39.9	283	51.3	342	53.3
Residential	105	18.3	109	19.7	113	17.6
Total	576	100.0	552	100.0	642	100.0
Gross Floor Area (in thousands of square feet)						
Office	1,015	36.3	1,015	35.5	1,015	35.2
Commercial	978	34.9	978	34.2	995	34.6
Residential	807	28.8	868	30.3	868	30.2
Total	2,800	100.0	2,861	100.0	2,878	100.0

Tenants

Hutchison seeks to maintain long-term relationships with high quality tenants and an appropriate balance in its mix of tenants. Hutchison believes that its tenant selection criteria and management of relationships has been fundamental in retaining its core tenants and sustaining its rental income base.

With respect to its investment properties, Hutchison competes with other major developers and complexes to attract commercial and office tenants and to draw customers to the retail outlets, restaurants and hotels in its developments. Hutchison competes for office tenants primarily based upon the quality and location of its buildings, its reputation as a building owner, the quality of its support services and the rent charged. Hutchison competes for commercial tenants primarily based on the location of its commercial centers and their ability to attract customers using a balanced mix of tenants.

Hong Kong

Hutchison's office space in Hong Kong is generally leased to multinational corporations and leading Hong Kong based corporations, many of which have long-term business relationships with Hutchison. Hutchison's commercial space is typically occupied by shops, banks, restaurants and department stores. Historically, the default rate of Hutchison's commercial tenants has been very low.

In accordance with practices in the Hong Kong property market, Hutchison's office leases are typically for three years, but in some cases are six, nine or twelve years in duration. Regardless of the duration of the lease term, the rent charged is generally adjusted every three years based upon market rates. Depending on market conditions, Hutchison grants rent-free periods and other tenant inducements in the original lease of office and commercial property. Residential leases are typically for two years and are renewed based upon market rates. Commercial leases typically extend for two to three years, but in some cases are six, nine or twelve years in duration. Hutchison's tenants are also charged a monthly management fee which covers building maintenance expenses, insurance and certain other costs. Tenants are also required to pay their utility charges and Hong Kong Government rates.

The Mainland

In the Mainland, Hutchison's retail complexes continue to increase revenue through the introduction of well-known brand names and continued efforts to diversify their tenant mix by adding banks, restaurants, department stores and cinemas. Hutchison's shopping malls in the Mainland have become well-known one-stop shopping and entertainment centers in cities including Shanghai and Chongqing. Hutchison competes with other developers in the Mainland with respect to office properties by providing tenants with prime property locations and highly IT-enabled, state-of-the-art buildings. Hutchison aims to accommodate tenants from leading multinational companies and high-end Mainland enterprises.

Hutchison targets the high-end residential market in the Mainland, including villas and serviced apartments which have high occupancy levels. Similar to Hong Kong, Hutchison charges tenants in the Mainland a monthly building service fee which covers maintenance and other expenses.

Property Management

Hutchison undertakes property management by providing professional day-to-day property management and maintenance services. Hutchison believes that its property management services complement and enhance the value and marketability of its investment and development portfolios. Hutchison provides management services for its properties in Hong Kong, including Hutchison House, Aon China Building, Whampoa Garden, Aberdeen Centre and South Horizons, and its properties in the Mainland. In addition to managing and maintaining Hutchison's investment properties, the estate management division provides building management services to residential complexes with over 40,000 households, covering over 50 million square feet of area.

Property Development

Overview

Hutchison has been a market leader in the creation of "garden city" developments in Hong Kong by redeveloping former dockyards, as well as industrial and warehouse sites. Hutchison's garden city developments include: Whampoa Garden, an estate of 88 residential towers containing more than 10,000 apartments and a commercial complex comprising approximately 1.7 million square feet, and includes schools, social centers, a public transport terminal and a recreational complex; Laguna City, a major garden city development in East Kowloon containing more than 6,500 apartments and comprising approximately 5.0 million square feet of residential space and approximately 186,000 square feet of commercial space; South Horizons located in Ap Lei Chau, Hong Kong, which consists of 34 residential towers containing more than 9,800 apartments and comprises approximately 7.8 million square feet of residential area and approximately 360,000 square feet of commercial space; and Rambler Crest, in Tsing Yi, which comprises 1,585 apartments in five residential towers, three hotel towers and a commercial podium. This project is jointly held by Hutchison (70%) and Cheung Kong Holdings (30%).

Other major developments completed by Hutchison in Hong Kong include: Cheung Kong Center in Central, Harbourfront Office Towers in Hung Hom, Aberdeen Centre in Aberdeen, and Provident Centre in North Point. For a description of the Cheung Kong Center, Harbourfront Office Towers and Aberdeen Centre, see "— Rental Properties — Hong Kong".

Hutchison has established a position as one of the leading property developers in the Mainland for over ten years. Over 36 million square feet floor area have been completed in projects spanning across different cities including Beijing, Chongqing, Dongguan, Guangzhou, Qingdao, Shanghai, Shenzhen and Zhuhai. In Shanghai, the Westgate Mall and Tower has become one of the most popular one-stop shopping, entertainment and business centers, providing over one million square feet of retail and office area. The Le Parc in Shenzhen, a large scale luxurious residential estate of over 3,000 apartments, was completed in phases from 2001 to 2003. Hutchison has over the past few years increased its landbank in the Mainland by acquiring development sites in different cities including Beijing, Changchun, Changsha, Changzhou, Chengdu, Chongqing, Guangzhou, Huizhou, Jiangmen, Qingdao, Shanghai, Shenzhen, Tianjin, Wuhan, Xian and Zhuhai. These new projects are overall expected to provide satisfactory returns over time.

Hutchison also undertakes projects in the UK, the Bahamas and Singapore. These developments are primarily focused on high-end residential and prestigious office buildings. Major developments completed include Albion Riverside, a 400,000 square feet upscale residential/commercial complex located beside the River Thames in London, the UK and Our Lucaya Beach & Golf Resort, which encompasses 372 acres of land, providing 1,271 hotel rooms and two U.S. PGA championship-rated golf courses on Grand Bahama Island.

The following table sets forth certain information for Hutchison's residential development projects, including Hutchison's share of projects completed by its associates, for each of the years as indicated:

Residential Development

	Year Ended December 31,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(in thousands of square feet)										
Floor Area Completed	1,561	874	1,374	2,562	3,269	2,868	1,471	1,403	139	2,007

Floor Area Sold	1,861	864	918	1,869	3,279	2,345	1,816	2,097	763	874
Revenue from Residential Sales (in HK$ millions)	7,223	3,393	978	5,252	6,764	3,469	4,118	4,264	2,575	3,077

Market Cycles

Volatile interest rates, a general decline in business activity and decreased consumer confidence had a significant negative effect on the residential property market in the latter part of 1997, through 1998 and the early part of 1999. This downturn in the residential property market impacted Hutchison with exceptional provisions being made against Hutchison's interests in several property developments acquired during the period of increased property prices in 1997 as the oversupply of new flats in the market continued to exert downward pressure on residential property prices through 2001. However, as property prices have rebounded between the latter part of 2004 to mid 2008, some of these provisions previously made have been written back. In late 2008, property prices have declined due to the global economic downturn.

Despite the downturn in the property market during 1997 to 1999, Hutchison's residential sales program has not been significantly affected due to the small number of development projects scheduled for sale. In 2002, Harbourfront Landmark, a luxurious residential development was launched for sale with all units substantially sold. In May 2003, Hutchison started selling residential units in its Rambler Crest development in Tsing Yi. This development was completed by end of 2003, with all of the residential units sold at a profit. Carmel Cove, the third phase in Caribbean Coast was completed and almost all of the residential units were sold in 2006. The fourth phase of the development, Crystal Cove, was completed in 2006 with all the residential units sold in 2007 and the final stage was completed in 2008.

Current Development Properties

In the past few years, Hutchison has focused on seeking new development opportunities in the Mainland. From 2005 to 2008, Hutchison increased its landbank in the Mainland by entering into joint ventures to develop mainly residential properties with a total gross floor area of approximately 131.7 million square feet, of which Hutchison's share is approximately 61.7 million square feet. Including these recent additions and landbank in other countries, Hutchison's share of landbank has currently reached a total of approximately 103 million square feet of gross floor area, mainly residential properties.

The following table summarizes Hutchison's major current development properties listed in the order of location and the year of actual/expected final completion:

Development Properties

Development Properties	Property Type	Total Gross Floor Area[1] (in thousands of square feet)	Percentage Interest	Actual/ Expected Completion Date
HONG KONG				
Hung Shui Kiu	Residential	537	50.0	2010
THE MAINLAND				
The Riverside and Metropolitan Plaza, Guangzhou	Residential/ Commercial	2,603	50.0	2009
Metropolitan, Tianjin	Residential/ Commercial	2,742	40.0	2010
Huaqiangbei	Residential/	1,933	40.0	2010

Development, Shenzhen	Commercial			
Regency Park, Shenzhen	Residential	1,696	50.0	2010
Regency Park, Shanghai	Residential/ Commercial /Hotel	241	50.0	2010
Century Avenue, Shanghai	Commercial /Hotel	2,351	25.0	2011
Lujiazui, Shanghai	Commercial	861	50.0	2011
Xin Zha Road, Shanghai	Commercial	623	30.0	2011
Maqiao, Shanghai	Residential	477	42.5	2011
Le Sommet, Shenzhen	Residential/ Commercial	3,131	50.0	2011
Noble Hills, Guanlan District, Shenzhen	Residential/ Commercial	1,562	50.0	2011
Regency Residence, Changchun	Residential/ Commercial	2,941	50.0	2011
Shisanling, Beijing	Residential	861	50.0	2011
The Greenwich, Xian	Residential/ Commercial	11,315	50.0	2012
Noble Hills, Changsha	Residential/ Commercial	6,989	50.0	2012
Regency Oasis, Chengdu	Residential/ Commercial	5,276	50.0	2012
Noble Hills, Chongqing	Residential/ Commercial	4,418	50.0	2012
Cape Coral, Chongqing	Residential/ Commercial	4,079	47.5	2012
Regency Park, Changchun	Residential/ Commercial	4,315	50.0	2012
Nanhui Zhoupu, Shanghai	Residential/ Commercial	3,653	42.5	2012
Cape Coral, Guangzhou	Residential/ Commercial	3,475	50.0	2012
The Greenwich, Beijing	Residential	2,575	50.0	2012
Tian Ning District, Changzhou	Residential	2,394	50.0	2012
Toys and Gifts Center, Guangzhou	Commercial	1,844	30.0	2012
Zengcheng, Guangzhou	Residential/ Commercial	3,573	50.0	2013
Jinkeng, Guangzhou	Residential/ Commercial	2,496	40.0	2013
Daya Bay, Aotou, Huizhou	Residential	2,570	50.0	2013
Laopu Pian, Wuhan	Residential/ Commercial	1,729	50.0	2013
Hualou Jie, Wuhan	Residential/ Commercial	3,947	50.0	2014
Le Parc, Chengdu	Residential/ Commercial	25,624	50.0	2015
Laguna Verona, Dongguan	Residential/ Commercial	18,909	49.8	2015
Caidian District, Wuhan	Residential/ Commercial/ Hotel	16,134	50.0	2016
Putuo, Shanghai	Residential/ Commercial/ Hotel	7,750	38.0	2016
Qiao, Zhuhai	Residential	2,540	50.0	2016

Xiao Gang Wan, Qingdao	Residential/ Commercial	9,900	45.0	2017
Yinhuwan, Jiangmen	Residential/ Commercial/ Hotel	4,518	45.0	2017
Yangjiashan, Chongqing	Residential/ Commercial	33,258	47.5	2021
SINGAPORE				
Marina Bay	Residential/ Commercial	4,715	16.7	2012
West Coast Crescent	Residential	362	50.0	2013
UNITED KINGDOM				
Lots Road and Chelsea Harbour	Residential/ Commercial	849	47.5	2013
Convoys Wharf	Residential/ Commercial	3,334	50.0	2018

(1) For UK projects, total net floor area.

With respect to its property development activities, Hutchison competes with a number of other developers, principally for the acquisition of suitable development sites. The supply of land available for development in Hong Kong is constrained by a number of factors, including topography and the Hong Kong Government's land development policy. Land released for development by the Hong Kong Government is usually sold at auctions. In the Mainland, development projects are dependent on obtaining approvals of a variety of Government authorities at different levels. Land released for development in the Mainland is usually sold through tender auction.

Development Costs

Hutchison estimates that its share of total development costs from 2009 to 2010 for properties under development, whether for investment or for sale, will be approximately HK$24,248 million, of which approximately HK$20,938 million will be related to properties in the Mainland. Hutchison currently expects that the majority of these capital expenditures will be financed by cash flow from presales of properties under development and, where applicable, by external project borrowings, and if required, also from other Hutchison operations.

Project Management

Property developments undertaken and managed by Hutchison are coordinated and supervised by its professional project management team consisting of architects, engineers and quantity surveyors.

Hotels

Hutchison has ownership interests in 12 hotels in Hong Kong, the Mainland and the Bahamas, of which eight are managed through its 50% owned hotel management joint venture, which in addition manages one other independently owned hotel. Hutchison's ownership of hotels generally arises as an opportunity in connection with its major property development activities and other operations. Hutchison also considers, from time to time, hotel acquisitions in Hong Kong, the Mainland and other parts of the world. Harbour Plaza Hotels and Resorts, a 50/50 joint venture between Hutchison and Cheung Kong Holdings, is responsible for the management of the majority of the hotels owned by Hutchison and/or Cheung Kong Holdings.

In February 2005, Hutchison, through a joint venture with Cheung Kong Holdings, purchased a 50% interest in The Kowloon Hotel in Hong Kong, which has 736 guest rooms and approximately 57,500 square feet of shopping arcade. Also in February 2005, the Rambler Garden Hotel, an 800-room hotel in Tsing Yi, Hong Kong, in which Hutchison has a 70% interest, was opened. In October 2006, Rambler Oasis Hotel, an 822-room hotel in Tsing Yi, Hong Kong, in which Hutchison has a 70% interest, was opened. On December 19, 2007, the management contract of Our Lucaya resort was terminated with Starwood and the management was taken over by Harbour Plaza Hotels and Resorts although the Westin and Sheraton brands were retained under franchise arrangements.

The following table sets forth certain information with regard to Hutchison's hotels:

Hotel Properties

Hotels in Operation	Category	Average Occupancy Rate[1] (%)	Room Inventory[2]	Percentage Interest	Year Opened/ Acquired
Sheraton Hotel and Towers Hong Kong	Five star	74.5	782 rooms	39.0	1974
Great Wall Sheraton Beijing	Five star	57.9	827 rooms	49.8	1984
Harbour Plaza Hong Kong	Five star	82.5	507 rooms	100.0	1995
		93.4	48 serviced suites		
Harbour Plaza Chongqing	Five star	42.8	328 rooms	50.0	1998
		42.6	60 serviced suites		
Westin and Sheraton at Our Lucaya Grand Bahama Island	Resort	37.4	1,271 rooms	100.0	1999
Harbour Plaza North Point Hong Kong	Four star	87.0 84.1	471 rooms 198 serviced suites	39.1	2000
Grand Hyatt Beijing	Five star	63.1	866 rooms	18.0	2001
Harbour Plaza Metropolis Hong Kong	Four star	90.5	739 rooms	50.0	2002
		96.6	80 serviced suites		
Horizon Suite Hotel Hong Kong	Four star	89.5	831 serviced suites	49.0	2002
The Kowloon Hotel Hong Kong	Four star	91.8	734 rooms	50.0	2005
Rambler Garden Hotel Hong Kong	Four star	89.4	800 rooms	70.0	2005
Rambler Oasis Hotel Hong Kong	Four star	84.1	822 rooms	70.0	2006

(1) Average occupancy rates for the year ended December 31, 2008

(2) As of December 31, 2008.

Retail

Hutchison has a long history in retail. AS Watson was founded in the 1800s as a small dispensary in the southern Chinese province of Guangdong known for providing free medicines to the poor. Under the Watson family, it quickly diversified into the production of distilled water as well as pharmaceutical and retailing operations. By the turn of the century, AS Watson had developed into a major trading force in Hong Kong, the Mainland and the Philippines with more than 100 retailing and dispensing branches. Due to its long history, the Watson name is well recognized in a number of countries in Asia. AS Watson became a wholly-owned subsidiary of Hutchison in 1981.

Hutchison's strategy in its retail operation is to continue to build on its portfolio, through a policy of carefully managed growth, while tightly controlling costs. Hutchison believes that it can leverage the retail expertise gained to expand and grow its retail operations. As customers become increasingly cost and quality conscious, Hutchison strives to provide customers with quality products at competitive prices. Presently, Hutchison operates retail businesses across 34 markets, predominantly in Hong Kong, the Mainland, Taiwan, the UK, the Netherlands, France and Germany. Hutchison believes that significant benefits flow from the economies of scale inherent in operating an integrated retail organization throughout the world. Accordingly, the division is focused on managing cautious growth in its existing retail sectors.

AS Watson has become the one of the largest health and beauty, perfumeries and cosmetics retail chains in the world in terms of number of stores. In addition, it successfully operates grocery, consumer electrical goods, airport and other retail formats. It has significant buying and operational synergies across its retail businesses in Asia and Europe, which currently operate over 8,300 retail outlets in 34 markets.

The following table sets forth the number of retail outlets by location. All AS Watson's retail stores are rented, preserving the operational flexibility of the division.

AS Watson – Number of Retail Outlets

	As of December 31,		
	2006	2007	2008
Hong Kong and Macau			
Watsons	184	164	160
PARKnSHOP	231	230	231
Fortress	52	48	49
Watson's Wine Cellar	13	14	15
Nuance – Watson	39	46	42
Subtotal	519	502	497
The Mainland			
Watsons	259	328	410
PARKnSHOP	44	44	43
Subtotal	303	372	453
Asia			
Taiwan – Watsons	410	401	396
Malaysia – Watsons	209	214	210
The Philippines – Watsons	167	169	182
Thailand – Watsons	149	144	148
Singapore			
Watsons	99	99	97
Nuance – Watson	18	18	25
South Korea – Watsons	10	11	20
Subtotal	1,062	1,056	1,078
United Kingdom			
Superdrug	746	911	911
Savers	424	241	234
The Perfume Shop	149	162	174
Subtotal	1,319	1,314	1,319
Western Europe			
The Netherlands			
Kruidvat	778	790	796
Trekpleister	143	139	134
Ici Paris XL	110	112	116
Belgium			
Kruidvat	165	166	165
Ici Paris XL	104	107	107
Luxembourg – Ici Paris XL	3	3	4
Germany – Rossmann	1,224	1,272	1,467
France – Marionnaud	561	562	560
Switzerland – Marionnaud	116	116	112

Spain − Marionnaud	163	163	160
Italy − Marionnaud	128	127	125
Austria − Marionnaud	99	101	99
Portugal − Marionnaud	10	10	12
Subtotal	3,604	3,668	3,857
Other European countries			
Poland − Rossmann	228	278	339
Hungary − Rossmann	167	181	181
Czech Republic − Rossmann	105	111	109
Latvia − Drogas	70	70	72
Lithuania − Drogas	39	42	44
Russia − Spektr	37	41	45
Ukraine − DC	113	127	151
Turkey − Watsons	14	18	22
Marionnaud	155	155	155
Subtotal	928	1,023	1,118
Others	22	14	13
Total	7,757	7,949	8,335

All the number of stores quoted in the following paragraphs are as of December 31, 2008 unless otherwise specified.

Health & Beauty Asia

The Watsons chain is one of Asia's largest and leading retailers of health and beauty products and enjoys strong brand name recognition in the PRC and other countries in South East Asia. These stores are similar in concept to a drugstore except that most stores do not dispense prescription drugs. The Watsons chain offers a wide range of products, including toiletries, medicines, cosmetics, confectionery, fashion items and toys.

Across the region, AS Watson operates 410 outlets in the Mainland, 396 in Taiwan, 210 in Malaysia, 182 in the Philippines, 160 in Hong Kong and Macau, 148 in Thailand, 97 in Singapore and 20 in South Korea.

Health & Beauty Europe

AS Watson operates Superdrug and Savers in the UK. Superdrug is one of the UK's leading health & beauty retailers operating 911 stores nationwide. Savers, a chain of discount health and beauty stores in the UK, has 234 stores.

It also operates seven leading retail chains (Kruidvat, Rossmann, Trekpleister, Drogas, Watsons, Spektr and DC) with over 3,500 stores in 12 countries (the Netherlands, Belgium, Germany, Poland, Hungary, Czech Republic, Latvia, Lithuania, Turkey, Estonia, Russia and Ukraine).

In March 2005, AS Watson acquired Cosmo Shop, a health and beauty retail chain in Turkey with seven outlets at the time. In October 2005, the first Watsons store was opened in Estonia. In January 2006, AS Watson completed the acquisition of the Spektr Group in Russia. As of December 31, 2008, this chain operated 45 health and beauty stores. In November 2006, AS Watson completed the acquisition of a 65% interest in DC in Ukraine. This chain operates 151 health and beauty stores as of December 31, 2008.

Luxury Perfumeries & Cosmetics

AS Watson operates Marionnaud, The Perfume Shop and ICI Paris XL in Europe.

In April 2005, AS Watson acquired one of Europe's leading perfumery chains, Marionnaud. The addition of Marionnaud makes AS Watson one of the largest health and beauty retailers in the world in terms of number of stores. AS Watson now owns 100% of the share capital of Marionnaud, which has been delisted from the French Stock Exchange. Marionnaud is a leading perfumery chain in France with 560 outlets and a further 663 outlets across other countries such as Switzerland, Austria, Italy, Spain, Portugal and Eastern Europe.

In August 2005, AS Watson completed the acquisition of Merchant Retail Group, a specialty perfumery retailer, operating "The Perfume Shop" in the UK and Ireland, by way of a £221.6 million cash offer. Following the completion, the listing of Merchant Retail Group shares on the London Stock Exchange was cancelled. This chain operates 174 perfumery stores in the UK and Ireland.

ICI Paris XL is another leading perfumery chain in Europe with over 220 stores in the Netherlands, Belgium and Luxembourg.

Other operations

PARKnSHOP is a leading supermarket chain with 231 locations in Hong Kong and Macau. It is one of the market leaders in Hong Kong and has extended its offer further into the higher end food retailing through branded store formats such as Great, Taste and PARKnSHOP International. In the Southern Mainland, PARKnSHOP is one of the leading hypermarket operators, selling fresh food, general merchandise, textiles and electrical appliances. In 2005 and 2006, AS Watson started to extend the presence of PARKnSHOP to other parts of the Mainland and opened 11 new stores in 2006. As of December 31, 2008, there were 43 PARKnSHOP stores in the Mainland, primarily in the south.

Fortress is one of the leading retailers of consumer electronics and electrical appliances in Hong Kong. The chain of 49 Fortress stores throughout Hong Kong offers wide product range coverage and after-sales product services.

Nuance-Watson, a 50% joint venture with The Nuance Group AG, holds concessions to operate a chain of 40 retail stores, on both airside and landside, at the Hong Kong International Airport and two other stores in Zhuhai and Macau. The joint venture also operates concessions of 25 stores mainly specializing in perfumes and cosmetics products in Terminals 1, 2 and 3 and the Budget Terminal of the Singapore Changi Airport.

Watson's Wine Cellar is one of the leading wine retailers in Hong Kong with 15 outlets. AS Watson also operates Badaracco S.A., a Swiss wine trading company.

Manufacturing

The manufacturing division of AS Watson manufactures and distributes local and international branded drinking water, juices and other beverages in both Hong Kong and the Mainland. It also takes advantage of its relationship with the PARKnSHOP supermarket chain to distribute its products in Hong Kong and the Mainland.

The manufacturing division has a factory in Hong Kong and interests in four manufacturing plants in the Mainland. Its annual manufacturing capacity is approximately as follows: over 400 million liters for water and 30 million liters for beverages in Hong Kong; and over 500 million liters for water and over 250 million liters for beverages in the Mainland.

AS Watson has over a 50% share of the market for bottled water in Hong Kong. AS Watson's "Watsons" brand is the leading brand of drinking water in Hong Kong. AS Watson's water business is growing in the Mainland, with strong sales in the Southern Mainland, Shanghai and Beijing. "Mr. Juicy", manufactured and distributed by AS Watson, is one of the best-selling brands of chilled fruit juice in Hong Kong and is also increasingly distributed throughout the Southern Mainland.

Cheung Kong Infrastructure

CKI was organized in May 1996 for the purpose of acquiring certain infrastructure and infrastructure-related businesses of Cheung Kong Holdings, Hutchison and certain other companies. Shares of CKI were listed on the SEHK in July 1996. Hutchison currently holds an 84.6% interest in CKI. Based on the closing price of its shares on the SEHK on March 31, 2009, CKI had a market capitalization of approximately HK$69,768 million (approximately US$8,945 million).

In Hong Kong, CKI holds a 38.9% interest in Hongkong Electric Holdings, a listed company in Hong Kong that, through a wholly-owned subsidiary, Hongkong Electric, generates, transmits, distributes and is the sole provider of electricity to Hong Kong Island and Lamma Island.

In the Mainland, CKI has interests in a power generating portfolio with approximately 2,800 MW of gross capacity and in joint ventures that own and operate approximately 400 kilometers of toll roads and bridges.

CKI has also been actively exploring investment opportunities in other regions and industries and owns various interests in Australia, New Zealand, the UK and Canada.

In Australia, CKI has a 49% interest in Aqua Tower Pty Ltd, which operates four treatment plants and provides potable water to four regional towns in Western Victoria; and together with Hongkong Electric Holdings, has a 51% interest in three electricity distribution companies in Australia. CKI also has strategic investment in two Australian-listed companies, Spark Infrastructure Group and Envestra Limited.

In the UK, CKI holds a 40% interest in Northern Gas Networks Limited ("NGNL"), one of the eight major gas distribution networks in the UK; and a 100% interest in Cambridge Water, which supplies a population of approximately 300,000 in an area over 1,175 square kilometers in South Cambridgeshire, as well as a 4.75% interest in Southern Water Group, which is a regulated business supplying water to more than 1 million households and waste water services to more than 2 million households across Sussex, Kent, Hampshire and the Isle of Wight. Hongkong Electric Holdings holds another 35.1% interest in NGNL.

In Canada, CKI, together with Hongkong Electric Holdings, holds a 100% interest in Stanley Power Inc., which owns 49.99% partnership interest in TransAlta Cogeneration, L.P., a company that owns interests in five natural-gas powered cogeneration plants in Alberta, Ontario and Saskatchewan and a coal-fired generation plant in Alberta.

In New Zealand, CKI, together with Hongkong Electric Holdings, holds a 100% interest in Wellington Electricity Distribution Network, which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand, with a system length of over 4,592 kilometers.

In addition, CKI has an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland.

CKI prefers to invest in existing projects or in projects that are already under construction in order to benefit from immediate or imminent cash flow and to reduce project development risks. CKI looks for projects with strong economic fundamentals. CKI's objective is to obtain a relatively secure investment return from its infrastructure businesses by ensuring a stable minimum financial return, with the potential for participation in excess profits. In addition, it has focused on diversification and globalization initiatives and will continue to pursue opportunities in Hong Kong, the Mainland and overseas.

The following table summarizes certain information with respect to CKI:

Cheung Kong Infrastructure Holdings Limited

	Year Ended December 31,		
	2006	2007	2008
Financial Information[1] (in HK$ millions):			
Turnover:			
Infrastructure related business	1,015	896	1,132
Infrastructure investments	807	969	1,313
Total CKI group turnover	1,822	1,865	2,445
Profit before taxation	3,677	4,785	4,443
Profit attributable to the shareholders of CKI	3,670	4,772	4,423
Dividends	2,254	2,480	2,559
Property, plant and equipment	991	1,121	904
Leasehold land	301	292	281
Interests in associates	29,382	30,389	29,067
Interests in jointly controlled entities	4,238	3,176	3,361
Interests in infrastructure project investments	617	502	629
Equity attributable to shareholders of CKI — shareholders' funds	35,824	39,409	36,675
Operating Information[1]:			
Production[2]:			
Cement (in millions of tons)	2.0	2.2	2.4
Concrete (in millions of cubic meters)	0.0	0.0	0.0
Asphalt (in millions of tons)	0.3	0.2	0.2
Spray-coating (in millions of square meters)	1.2	0.6	0.0
Limestone (in Mt)	0.8	0.7	0.7
PFA (in Mt)	0.1	0.1	0.1

Toll roads (in kilometers)	429.4	379.7	376.2
Toll bridges (in kilometers)	13.4	12.8	12.8
Installed power capacity (in MW)	2,950	2,950	2,800
Gross generation of operational plants (in ’000 MWh)	10,776	17,521	17,665
On-grid output of operational plants (in ’000 MWh)	10,171	16,488	16,657

(1) Operating information excludes Hongkong Electric Holdings.

(2) The above production volumes of concrete and aggregates exclude production volume of Alliance Construction Materials Limited (“ACML”), a 50/50 joint venture from merger of CKI’s concrete and quarry operations with the Hong Kong operations of Hansen PLC in April 2004. During the year ended December 31, 2008, ACML produced 1.2 million m^3 of concrete and 2.4 million tons of aggregates.

Hongkong Electric Holdings Limited

Hongkong Electric Holdings is listed on the SEHK. Based on the closing price of its shares on the SEHK on March 31, 2009, Hongkong Electric Holdings had a market capitalization of approximately HK$98,816 million (approximately US$12,669 million). Hongkong Electric Holding’s wholly-owned subsidiary, Hongkong Electric, generates, transmits, distributes and is the sole provider of electricity to Hong Kong Island and Lamma Island. CLP Power Hong Kong Limited, which is not affiliated with Hongkong Electric, supplies electricity to Kowloon Peninsula and the New Territories. The division of markets between Hongkong Electric and CLP Power Hong Kong Limited is based on practical considerations of geography and is not mandated by law or by contract. Hutchison expects that the present arrangement will continue for the foreseeable future.

Hongkong Electric has been supplying electricity since 1890 when the first electric street lights in the Central district in Hong Kong were switched on, making it one of the world’s oldest electric companies. Currently, Hongkong Electric supplies electricity to over half a million customers. Total unit sales in 2008 were 10,865 million kWh, a 0.2% decrease from the 10,891 million kWh sold in 2007. As a percentage of total unit sales in 2008, domestic customers accounted for 22.2%, commercial 74.4% and industrial 3.4%. The system maximum demand in 2008 was 2,589 MW. In December 2008, Hongkong Electric announced a 5.9% average tariff decrease for 2009.

Hongkong Electric’s installed capacity on Lamma Island of 3,736 MW currently comprises eight coal-fired units with a total capacity of 2,500 MW, five oil-fired gas turbines with a total capacity of 555 MW, two gas-fired combined cycle units of 680 MW and a 800 kW wind turbine. Of the total electricity units generated during 2008, about 83% were produced by the coal-fired units and 17% were produced by the gas-fired unit. During 2008, 3.7 million metric tons of low sulphur, low ash coal was burnt and sourced from such diverse supply countries as the Mainland, Indonesia and the Philippines.

In December 2008, the Hong Kong Government approved the Development Plan of Hong Kong Electric for the period 2009 — 2013, which provided for HK$12.3 billion in capital expenditure over that period. This investment will be focused on additions to and maintaining the reliability of electricity transmission and distribution network and in furthering the emission reduction program at the Lamma Power Station.

The electricity transmission network used by Hongkong Electric includes high capacity submarine cables. For environmental, reliability and operational reasons, nearly all high voltage cabling on Hong Kong Island and Lamma Island is underground. Additionally, where cable-laying might cause serious disruption to the environment, Hongkong Electric has built cable tunnels. As of December 31, 2008, there were 24 switching stations, 26 zone substations and 3,648 high voltage distribution substations in the system operated by Hongkong Electric. Generation, transmission and distribution are all controlled at Hongkong Electric’s computerized system control center, for the safe, efficient and secure delivery of electricity to all its customers.

The operations of Hongkong Electric are subject to a scheme of control agreement with the Hong Kong Government (the “Scheme of Control”) which expired in December 2008. Under the Scheme of Control, shareholders of Hongkong Electric were entitled to a net return of 15% on net fixed assets financed by shareholders’ funds and a minimum net return of 5.5% (13.5% permitted return minus a maximum of 8% interest costs) on net fixed assets financed by borrowings.

In January 2008, Hongkong Electric signed a new Scheme of Control (“SOC”) with the Hong Kong Government for a period of 10 years commencing January 1, 2009 with a Government option to extend the agreement for a further term of five years. The agreement provides for a 9.99% permitted rate of return on average net fixed assets other than for renewable energy fixed assets for which the permitted return is 11% and contains provisions that encourage emission reduction, energy efficiency, operational performance, service quality and the use of renewable energy.

In June 2005, Hongkong Electric Holdings and CKI completed an agreement for the former to acquire 19.9% out of CKI's 69.8% interest in NGNL. In November 2008, Hongkong Electric Holdings further acquired 15.2% interest in NGNL. Currently, CKI and Hongkong Electric Holdings own a 40% and a 35.1% interest, respectively, in NGNL. See "— Northern Gas Networks Limited".

In December 2005, Hongkong Electric Holdings sold 22.07% out of its 50% attributable interest in ETSA Utilities (the sole electricity distributor in the state of South Australia), Powercor (the largest electricity distributor in the Australian State of Victoria) and CitiPower (the electricity utility which serves Melbourne in the State of Victoria) to CKI, which sold 49% of its original 50% attributable interest to Spark Infrastructure Group. Currently, Hongkong Electric Holdings together with CKI have an attributable interest of 51% in the three abovementioned Australian companies. See "— Australian Projects".

Hongkong Electric Holdings also has a 25% interest, through a joint venture company, Ratchaburi Power Company Limited, in a 1,400 MW gas-fired power plant project located in Ratchaburi Province, Thailand. The first phase of 700 MW was commissioned in March 2008, while the second phase of another 700 MW was commissioned in June 2008.

In December 2007, Hongkong Electric Holdings completed an agreement under which it acquired a 50% interest in Stanley Power Inc. from CKI. Stanley Power Inc. has a 49.99% partnership interest in TransAlta Cogeneration, L.P., which has interests in six power plants in Canada.

In July 2008, Hongkong Electric Holdings completed an agreement under which it acquired a 50% interest in Wellington Electricity Distribution Network from CKI. The network has a system length of over 4,592 kilometers and serves the city of Wellington and the Porirua and Hutt Valley regions of New Zealand.

In February 2009, Hongkong Electric Holdings entered into an agreement with CKI to purchase the entire issued share capital in Outram Limited, a subsidiary of CKI, which holds a 45% equity interest in three power plants in the Mainland including Zhuhai Power Plant in Zhuhai City, the neighboring Jinwan Phase 1 Power Plant and Siping Cogen Power Plants in the Jilin Province.

Hongkong Electric Holdings may pursue other international investment opportunities on a selective basis including making equity investments in infrastructure assets and, where appropriate, participating in partnership with CKI.

The following table summarizes certain information with respect to Hongkong Electric Holdings extracted from Hongkong Electric Holdings' publicly available information:

Hongkong Electric Holdings Limited

	Year Ended December 31,		
	2006	2007	2008
Operating Information:			
Electricity unit sales (in kWh millions)	10,773	10,891	10,865
Average net tariff (HK cents per kWh)	117.4	120.2	127.4
Number of customers (in thousands)	559	561	563
Installed capacity in (MW)	3,756	3,756	3,736
Financial Information (in HK$ millions):			
Turnover	12,181	12,524	12,773
Profit attributable to shareholders	6,842	7,448	8,029
Dividends	3,948	4,290	4,503
Fixed assets	46,496	46,058	46,488
Shareholders' funds	44,085	48,104	47,327

Australian Projects

CKI, together with Hongkong Electric Holdings, owns a 51% interest (CKI: 23.07%; Hongkong Electric Holdings: 27.93%) in:

- ETSA Utilities, the owner and manager of South Australia's sole electricity distributor, which delivers electricity to more than 800,000 customers and supports a network comprising 399 zone substations and power lines covering a route length of about 86,000 kilometers;

- Powercor, the owner and manager of one of the largest electricity distributors in Victoria, Australia, which delivers electricity to over 680,000 customers in central and western Victoria's and Melbourne's outer western suburbs; and

- CitiPower, the owner and manager of the electricity distribution network servicing Melbourne's central business district and inner suburbs. The CitiPower network covers 157 square kilometers and includes distribution to the headquarters of some of Australia's largest companies and most important cultural and sporting icons, such as the Melbourne Cricket Ground, Melbourne Park and the Victorian Arts Centre.

CKI owns an 18.52% interest in Envestra Limited, the largest listed natural gas distribution company in Australia with approximately 21,000 kilometers of natural gas distribution networks and 1,000 kilometers of transmission pipelines serving over one million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

CKI has also undertaken the following acquisitions in Australia.

Cross City Tunnel

In December 2002, a consortium led by CKI entered into a contract to construct the Cross City Tunnel in Sydney, Australia, which connects Sydney's eastern suburbs with the western side of the city. CKI has a 50% interest in the consortium for this A$1,059 million tunnel project which is CKI's first transportation infrastructure project undertaken in Australia. Construction commenced in 2003 and the tunnel was opened in the third quarter of 2005. The tunnel was placed in receivership in December 2006 and cost provisions of HK$578 million and HK$279 million were recorded by CKI in 2005 and 2006 respectively to fully provide for CKI's investment cost in the project.

Aqua Tower

CKI has a 49% interest in Aqua Tower which operates four treatment plants and provides potable water to four regional towns in Western Victoria, Australia.

Spark Infrastructure Group

Prior to December 2005, CKI and Hongkong Electric Holdings held a 100% interest (on a 50/50 basis) in ETSA Utilities, Powercor and CitiPower respectively. In December 2005, CKI sold its 49% interest in these Australian joint ventures to Spark Infrastructure Group, a stapled group listed on the Australian Securities Exchange, for consideration of approximately A$2,200 million. Out of the total proceeds, CKI acquired a 9.9% interest in Spark Infrastructure Group and 22.07% interests in the Australian joint ventures from Hongkong Electric Holdings for consideration of approximately A$180 million and A$1,000 million respectively. CKI currently holds an 8.7% interest in Spark Infrastructure Group.

Lane Cove Tunnel

Prior to March 2007, CKI held a 40% interest in Connector Motorways Pty Ltd. which was awarded the concession to build and operate the Lane Cove Tunnel and the Falcon Street Ramp in Sydney, Australia for a period of 33 years from December 2003. CKI disposed of a total of 21% interests in Lane Cove Tunnel in February and March 2007 for a profit and currently holds a 19% interest. The Lane Cove Tunnel started operations in April 2007. However traffic levels for the tunnel have been lower than expected, a full provision has been made against the remaining carrying value of this investment in 2007.

Power Projects in the Mainland

CKI currently has interests in power projects with an aggregate design capacity of 2,800 MW in the Mainland. The following table summarizes certain information with respect to CKI's power projects as of December 31, 2008:

CKI's Mainland Power Projects

Business	Business Scale (kilometers "km")	CKI's Interest (%)[1]	Commencement Date of Operation	Expiration Date
Siping Cogen Power Plants	Three units of coal-fired heat and electricity cogeneration plants with a total installed capacity of 200 MW	45.0	1998-1999[2]	2019
Zhuhai Power Plant	Two units of coal-fired power plants with a total installed capacity of 1,400 MW	45.0	April 2000[3] February 2001[3]	2019
Jinwan Phase 1 Power Plant	Two units of coal-fired power plants with a total installed capacity of 1,200 MW	45.0	February 2007	2035

(1) This represents the approximate share of CKI's contribution to the total investment of each project in the form of registered capital contribution. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

(2) Two units of the power plant were completed and became operational in 1998. The remaining unit was completed and became operational at the end of 1999.

(3) The first generating unit became operational in April 2000 and the second generating unit became operational in February 2001.

In April 2008, CKI entered into three equity interest transfer agreements to dispose of its entire interest in Fushun Power Plants project for a consideration of RMB100 million (approximately HK$112 million). The disposal was completed in June 2008.

Roads, Bridges and Tunnels in the Mainland

CKI currently has interests in various projects with a total length of 374.5 kilometers of toll roads and 12.8 kilometers of toll bridges in the Mainland.

In August 2007, CKI entered into an agreement to dispose of its entire equity interest in and shareholder's loan to Guangzhou E-S-W Ring Road Company Limited, a jointly controlled entity of CKI, for a consideration of approximately HK$1,258 million. The transaction was completed in September 2007.

The following table summarizes certain information with respect to CKI's transportation projects in the Mainland and Hong Kong:

CKI's Transportation Projects

Business	Business Scale (kilometers "km")	CKI's Interest (%)[1]	Commencement Date of Operation	Expiration Date
Shantou Bay Bridge	2.5 km toll bridge[2]	30.0	December 1995	2028
Shenzhen-Shantou Highway (Eastern Section)	140.0 km toll road	33.5	November 1996	2028
Jiangmen Jiangsha Highway	20.9 km toll road	50.0	December 1996[3]	2026
Jiangmen Chaolian Bridge	2.05 km toll bridge	50.0	May 1999	2027

Shenyang Roads[4]	1.7 km toll roads	30.0	November 1997	2027
Zhumadian National Highway 107	2 toll roads (113.7 km)	66.0	September 1997[3]	2024
Xiangjiang Wuyilu Bridge	1.5 km toll bridge	44.2	February 1998[3]	2022
Xiangjiang Wujialing Bridge	3.5 km toll bridge	44.2	February 1998[3]	2022
Tang Le Road	100.0 km toll road	51.0	March 1998	2019
Panyu Beidou Bridge	3.3 km toll bridge	40.0	January 2001	2024

(1) This represents the approximate share of CKI's contribution to the total investment of each project in the form of registered capital contribution and shareholders' loans. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

(2) The toll bridge including the approach roads is 6.5 kilometers in length.

(3) Date of injection of funds by CKI.

(4) CKI's entire interest in Shenyang Roads project were sold to the joint venture partner. The disposal was completed in January 2009.

UK Projects

Cambridge Water

CKI holds a 100% interest in Cambridge Water, a company appointed as a water undertaker under the Water Industry Act 1991 of the UK. It supplies a population of approximately 300,000 in an area over 1,175 square kilometers in South Cambridgeshire in the UK.

Northern Gas Networks Limited

In August 2004, CKI entered into an agreement to acquire a 69.8% interest in NGNL, a £1,394 million energy project in the UK. CKI then entered into a conditional agreement in September 2004 to dispose of a 19.9% interest in NGNL to Hongkong Electric Holdings. In October 2004, CKI entered into another conditional agreement to dispose of a further 9.9% interest in NGNL to independent third parties. The transaction was completed on June 1, 2005. In November 2008, Hongkong Electric Holdings further acquired an additional 15.2% interest in NGNL. Currently, CKI and Hongkong Electric Holdings own a 40% and a 35.1% interest, respectively, in NGNL.

The region served by NGNL extends south from the Scottish border to South Yorkshire and has coastlines on both the east and west sides of the region. The region contains a mixture of large cities (Newcastle, Sunderland, Leeds, Hull and Bradford) and a significant rural area including North Yorkshire and Cumbria, and has a total population of approximately 6.7 million.

Southern Water Group

Since December 2007, CKI holds a 4.75% stake in Southern Water Group which is a regulated business supplying water to approximately 2.3 million people and waste water services to 4.0 million people in the UK.

Canadian Project

TransAlta Cogeneration, L.P.

Since December 2007, CKI, together with Hongkong Electric Holdings, holds a 49.99% partnership interest in TransAlta Cogeneration, L.P. which owns interests in five natural-gas powered cogeneration plants in Alberta, Ontario and Saskatchewan, and a coal-fired generation plant in Alberta.

New Zealand Projects

Wellington Electricity Distribution Network

In June 2008, CKI, together with Hongkong Electric Holdings, completed the acquisition of a 100% interest (CKI: 50%;

Hongkong Electric Holdings: 50%) in Wellington Electricity Distribution Network, which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand, with a system length of over 4,592 kilometers.

Infrastructure Materials

CKI, through Green Island Cement (Holdings) Limited, Green Island International (BVI) Limited, Alliance Construction Materials Limited ("Alliance") and other subsidiaries and associated companies, is an integrated construction materials manufacturer involved in the production, distribution and sale of cement, concrete, asphalt and aggregates.

Cement

CKI operates an integrated cement business, starting from resource extraction and going through development and cement manufacturing to ultimate down-stream distribution.

CKI supplied approximately 58% of Hong Kong's annual cement requirements in 2008. It has a cement grinding capacity of approximately 2.5 million tons per year. CKI has a 67% interest in a joint venture operating a cement manufacturing plant in Yunfu, Guangdong province in the Mainland with an annual production capacity of one million tons. In the first half of 2008, CKI disposed of its 100% interest in a cement grinding plant in Shantou in the Mainland.

Concrete

Alliance is Hong Kong's largest supplier of concrete and aggregates and is estimated to account for approximately one-third of the territory's market share. Alliance has five quarries in Hong Kong and the Mainland with probable aggregate reserves adequate for consumption for the next decade. Alliance has an annual production capacity of approximately 4 million cubic meters of concrete and 4 million tons of aggregates.

CKI is one of Hong Kong's market leaders in the production and laying of asphalt. CKI has an annual installed production capacity of approximately 0.8 million tons of asphalt.

Husky Energy

Hutchison holds a 34.57% interest in Husky Energy, an international integrated energy and energy-related company listed on the Toronto Stock Exchange. Based on the closing price of its shares on the Toronto Stock Exchange on March 31, 2009, Husky Energy had a market capitalization of C$22,721 million (approximately HK$143,144 million). Husky Energy ranks among Canada's largest petroleum companies in terms of production and the value of its asset base. Husky Energy's operating activities are divided into three segments:

- the upstream segment, which includes the exploration, development and production of crude oil, bitumen, natural gas liquids and natural gas from assets located in Canada (Western Canada, offshore the East Coast of Canada and the Northwest Territories), the United States and offshore the Mainland, Indonesia and Greenland;

- the midstream segment comprising heavy oil upgrading, pipeline transportation, natural gas storage, processing, thermal/electric cogeneration and marketing of crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; and

- the downstream segment, which includes the refining, marketing and distribution of gasoline, aviation fuel, diesel, asphalt, ethanol and ancillary products and services across Canada and in the United States.

The following table summarizes certain information with respect to Husky Energy:

Husky Energy Inc.

	Year Ended and as of December 31,		
	2006	2007	2008
Operating Information:			
Net proved reserves:			
Crude oil and natural gas liquids (millions of barrels)	566.7	552.1	470.0

Natural gas (billions of cubic feet)	1,799.1	1,853.7	1,912.0
Average net daily production:			
Heavy crude oil and bitumen (thousands of barrels per day)	95.3	90.4	93.2
Medium crude oil (thousands of barrels per day)	23.8	22.6	22.3
Light crude oil and natural gas liquids (thousands of barrels per day)	101.3	120.0	91.3
Natural gas (millions of cubic feet per day)	528.2	492.3	464.2
Average sales prices:			
Light crude oil and natural gas liquids (Canadian dollars per barrel)	69.06	73.54	97.28
Heavy crude oil and bitumen (Canadian dollars per barrel)	39.92	40.19	71.61
Medium crude oil (Canadian dollars per barrel)	49.48	51.12	81.79
Natural gas (Canadian dollars per thousand cubic feet)	6.47	6.19	7.94
Financial Information (millions of Canadian dollars):			
Sales and operating revenues, net of royalties	12,664	15,518	24,701
Net earnings under Canadian GAAP	2,726	3,214	3,754
Total assets under Canadian GAAP	17,933	21,697	26,522
Shareholders' equity under Canadian GAAP	9,620	11,650	14,388
Net earnings under U.S. GAAP	2,777	3,223	3,768
Total assets under U.S. GAAP	17,495	21,317	26,158
Shareholders' equity under U.S. GAAP	9,283	11,338	14,103

Upstream Operations

Husky Energy's strategy in the upstream segment is to increase reserves and production at competitive finding and development costs while expanding its operations in the Alberta oil sands, offshore East Coast of Canada, the United States and offshore Southeast Asia and Greenland.

Husky Energy has substantial interests in offshore development and exploration opportunities off the East Coast of Canada and substantial long-term growth potential in the oil sands regions of Alberta, Canada. Husky Energy also has offshore development and exploration opportunities in the Mainland and Indonesia. Husky Energy is a major oil and gas producer in Canada with future development potential in British Columbia, Alberta and Saskatchewan that is strategically enhanced by its infrastructure, including its pipeline system, heavy oil upgrader and asphalt refinery located in the Lloydminster heavy oil production region. Husky Energy has a portfolio of high working interest producing properties in the Western Canada sedimentary basin that range from shorter term shallow oil and gas production to longer life, low decline, deep oil and gas production. Husky Energy has one of the largest high working interest, undrilled land bases in Western Canada and has a large position in oil sands leases with long-term development potential. Husky Energy has demonstrated expertise in harsh weather offshore exploration, development and production operations as operator of the successful White Rose development offshore the East Coast of Canada. In addition to the White Rose oil field, Husky Energy holds an interest in the Terra Nova oil field and a large portfolio of significant discovery and exploration licenses offshore Newfoundland and Labrador, Canada. Husky Energy has significant midstream and downstream operations that permit it to take advantage of the full value-chain from production at the wellhead through to retail sales.

Husky Energy has experience and expertise in enhanced crude oil recovery and horizontal drilling, as well as in natural gas exploration, development, production, transportation and processing in the foothills along the Canadian Rocky Mountains.

Husky Energy's major upstream projects include:

- Oil sands, Alberta:

Sunrise − regulatory approval of Husky Energy's 200,000 barrel per day Sunrise oil sands project was received in December 2005. The conceptual design for the upstream development was completed in late 2006. An amendment application was submitted in March 2007 which outlined changes and optimization resulting from ongoing depletion planning and front-end engineering. In December 2007, Husky Energy entered into an arrangement to create a 50/50 integrated oil sands joint venture with BP, consisting of upstream and downstream assets. Under the terms of the arrangement, Husky Energy contributed its Sunrise assets to an oil sands partnership and BP contributed its Toledo refinery located in Ohio, U.S.A. to a U.S. joint venture entity. The transaction closed in the first quarter of 2008 with an effective date of January 1, 2008. The plan for the Sunrise oil sands partnership with BP will proceed in three phases. The first phase will target 60,000 barrels per day of bitumen production. In 2008, front-end engineering design activities for Phase 1 were completed and work on area infrastructure and site preparation progressed. The project is currently in an optimization phase to simplify its scope and take advantage of the recent downturn in the demand for goods and services. Bitumen production is expected to commence approximately four years after project sanction.

Tucker - In 2006, the Tucker oil sands project, located 30 kilometers northwest of Cold Lake, Alberta, was completed and first oil was achieved at the end of 2006. During the third quarter of 2007, extension and acceleration of the project started with the initiation of drilling an additional eight well pairs on the Pad "C' location. A number of optimization strategies to address the ramp-up issues at the Tucker SAGD project were investigated during 2008 and production from the eight new well pairs is showing encouraging results. These well pairs, which have been in SAGD mode for one to six months, have been placed in an optimized position in the reservoir. Drilling on the new Pad D has been deferred until commodity prices improve. During December 2008, Tucker's bitumen production averaged 4.8 mbbls/day. In January 2009, management of the Tucker oil sands project was integrated with Husky Energy's heavy oil and gas business unit to capitalize on synergies with its heavy oil thermal operations.

- Indonesia Exploration and Development:

Madura – in August 2007, Husky Energy signed agreements for the sale and purchase of natural gas production from the Madura BD field totaling 60 million cubic feet per day. The Madura BD field development plan has been approved by regulatory authorities and the Madura Strait Production Sharing Contract ("PSC") extension has been submitted for approval, which is expected in 2009. In April 2008, Husky Energy announced it had reached an agreement with CNOOC Ltd. to jointly develop the Madura BD field. Contracting for front-end engineering design of offshore facilities and pipelines commenced during 2008 and engineering work will commence upon receipt of the PSC extension. Husky Energy has a 50% interest in the Madura PSC, which is operated by CNOOC Ltd.

East Bawean - in the East Bawean II PSC, in which Husky Energy holds a 100% interest, the Transocean Adriatic XI jack up rig has been secured to drill two exploration wells in the second quarter of 2009.

North Sumbawa - during October 2008, Husky Energy was awarded a PSC from the government of Indonesia for a 100% interest in the North Sumbawa II Block comprising 5,000 square kilometers in the East Java Sea.

- Offshore Mainland China Exploration:

South China Sea – in 2006, Husky Energy announced a potentially significant natural gas discovery in the South China Sea, 250 kilometers south of Hong Kong and a development program is currently proceeding. Also in 2006, Husky Energy signed petroleum contracts with CNOOC Ltd. for three exploration blocks covering approximately 16,871 square kilometers. In the first half of 2007, Husky Energy began to acquire seismic data in the South China. In 2008, the West Hercules deep water drilling rig spud the first delineation well at the Liwan natural gas discovery in November. In its announcement of the appraisal results, Husky Energy reported that the well could deliver in excess of 150 million cubic feet per day. In June 2008, Husky Energy acquired a new exploration block in the South China Sea, approximately 100 kilometers south of Hainan Island covering 1,777 square kilometers.

- White Rose and the Satellite Tie-Back Project:

In September 2007, the South White Rose extension development plan was approved. In December 2007, a formal agreement was reached with the Government of Newfoundland and Labrador regarding fiscal terms for the White Rose satellite fields. Front-end engineering design of the North Amethyst satellite tie-back was completed and regulatory approval was received in April 2008. Delineation wells were completed at both the North Amethyst and West White Rose satellite fields in the fourth quarter of 2008, the results of which continue to be assessed with a view to optimizing production and reservoir depletion. Engineering and procurement activities remain on track at the North Amethyst development with system integration testing due to commence in the first quarter of 2009, followed by subsea equipment and flow line installation and tie-back to the SeaRose production vessel in the summer of 2009.

- Offshore East Coast Canada Exploration:

In the third quarter of 2008, Husky Energy, together with its partners, completed a 3-D seismic program covering 2,150 square kilometers over the White Rose and satellite fields, the Terra Nova field and on portions of five other exploration licenses offshore the East Coast of Canada. The results are currently being evaluated to determine prospective drilling locations. In December 2008, the Mizzen exploration well (35% working interest) located in the

Flemish Pass Basin off the east coast of Newfoundland was spud and is expected to reach total depth during the first quarter of 2009.

- United States:

In September 2008, Husky Energy entered into a joint venture agreement to acquire a 50% working interest in 844,000 net acres of leasehold ownership and wells in the United States Columbia River Basin in southeast Washington and northeast Oregon. Husky Energy is currently participating in an exploration well, the Gray 31-23.

- Offshore Greenland Exploration:

In June 2007, Husky Energy was awarded two adjacent exploration licenses offshore west Greenland covering 5.2 million acres. In October 2007, Husky Energy and Esso Exploration Greenland Limited were awarded a joint interest in an exploration license covering an area of 13,213 square kilometers offshore West Greenland. The acquisition of 7,000 kilometers of 2-D seismic on Blocks 5 and 7 is now complete and is being evaluated. Husky Energy holds an 87.5% interest in these two blocks. The acquisition of 3,000 kilometers of 2-D seismic is complete on Block 6 where Husky Energy holds a 43.75% working interest.

In 2008, approximately 95% of Husky Energy's net earnings (before corporate expenses and intra-group eliminations) were generated by its upstream operations. Husky Energy's total gross production for 2008 averaged 355,900 barrels of oil equivalent a day compared with 376,600 barrels of oil equivalent per day in the same period of 2007. Husky Energy's upstream operations are primarily in Western Canada, offshore the East Coast of Canada and offshore Mainland China, Indonesia and Greenland. Substantially all of Husky Energy's production in 2008 was from Western Canada, offshore the East Coast of Canada and offshore Mainland China. Crude oil and natural gas liquids production was 256,800 barrels per day in 2008 compared with 272,700 barrels per day in 2007. Natural gas production was 594 million cubic feet per day in 2008 compared with 623 million cubic feet per day in 2007. Husky Energy's upstream revenues in 2008 and 2007 were derived from its production of light, medium and heavy crude oil, natural gas liquids, and from natural gas production and other natural gas related operations.

As of December 31, 2008, Husky Energy had total net proved reserves of crude oil and natural gas liquids and total net proved reserves of natural gas of approximately 470 million barrels and 1,912 billion cubic feet, respectively. The standardized measure of discounted future net cash flows of Husky Energy's proved reserves, calculated in accordance with Statement of Financial Accounting Standard No. 69, issued by the Financial Accounting Standard Board in the United States, as of December 31, 2008, on an after-tax basis, was approximately C$6,359 million.

Midstream Operations

Husky Energy's midstream operations reflect a portfolio of assets strategically situated in Western Canada, predominantly in the heavy oil and bitumen corridor, and linked to key transportation systems across North America. These operations include the Lloydminster Upgrader and marketing and infrastructure assets, which consists of pipeline systems, commodity marketing, thermal and electrical generation, crude oil and natural gas storage and processing.

In 2008, approximately 13% of Husky Energy's net earnings (before corporate expenses and intra-group eliminations) were generated by its midstream operations.

Husky Energy owns and operates a heavy oil upgrading facility at Lloydminster, Saskatchewan. The facility processes heavy oil feedstock into a premium-quality synthetic crude oil, which is further refined into transportation fuels by third-party refineries. In 2007, Husky Energy completed a debottleneck project at the Lloydminster Upgrader increasing capacity to 82,000 barrels per day of synthetic crude oil, low sulphur diesel and diluents. Production at the upgrader was 68,100 barrels per day of synthetic crude oil and diluents in 2008.

An important component of Husky Energy's heavy oil operations in Lloydminster are its 2,000 kilometer pipeline systems which are owned and operated by Husky Energy. The pipeline systems transport production from the Lloydminster and Cold Lake areas to Husky Energy's upgrading and refining facilities in Lloydminster and south Hardisty, Alberta to connect with various pipelines that service markets in North America. Heavy and synthetic crude oil is transported from Lloydminster to Husky Energy's terminal facilities at Hardisty, Alberta.

Throughput in Husky Energy's pipeline systems averaged 507,000 barrels of oil per day in 2008. Husky Energy is a marketer of both its own and third-party production volumes of crude oil, natural gas, natural gas liquids, sulphur and petroleum coke. Natural gas is marketed in Canada and the United States under both short-term and long-term arrangements. Husky Energy achieves efficient transportation of these products through the ongoing optimization of its natural gas storage facilities and access to firm pipeline capacity. Sulphur and petroleum coke are marketed domestically and internationally.

The commodity marketing component of Husky Energy's business continues to experience growth and it is Husky Energy's intention to expand product marketing operations further by increasing third-party volumes, markets served and services offered.

Husky Energy has a 50% interest in a 215 MW natural-gas-fired cogeneration facility on the Lloydminster Upgrader site and a 50% interest in a 90 MW natural-gas-fired cogeneration facility adjacent to the Rainbow Lake plant. Husky Energy owns and leases 37 billion cubic feet of natural gas storage.

Downstream Operations

Husky Energy has approximately 492 retail outlets strategically located in Ontario and Western Canada on primary urban roads and major highways to offer a full range of services and products to both the motoring public and commercial transports. Independent retailers or agents operate all of Husky Energy's branded facilities which feature varying attributes such as 24 hour service, convenience stores, service bays, car washes and Husky House full service family-style restaurants.

Husky Energy owns a light oil refinery at Prince George, British Columbia. The 12,000 barrel per day refinery supplies approximately 20% of Husky Energy's refined product requirements.

Husky Energy also owns and operates a refinery at Lloydminster. This facility processes heavy crude oil into asphalt products for use in road construction and repair and in the manufacture of building products. A lighter distillate is also produced as feedstock for Husky Energy's upgrading operations. Throughput at the refinery in 2008 averaged 26,100 barrels per day. Husky Energy markets paving and industrial asphalt products within the geographic areas of Western Canada, Ontario, Quebec and the north and mid-western United States. With a full range of asphalt products and an industry reputation for quality, Husky Energy is one of the largest asphalt marketers in Western Canada. Husky Energy also markets residual fuel oil produced by the Lloydminster refinery.

Effective July 1, 2007, Husky Energy acquired a refinery in Lima, Ohio from The Premcor Refining Group Inc., an indirect wholly-owned subsidiary of Valero Energy Corporation through the purchase of all of the issued and outstanding shares of Lima Refining Company. The total cash consideration was US$1,900 million plus US$540 million for the cost of feedstock and product inventory. The capacity of the refinery is 160,000 barrels per day of crude oil feedstock. Refinery throughput in 2008 averaged 136,600 barrels per day of crude oil and other feedstock. In 2008, an engineering study was completed to determine the reconfiguration of the Lima Refinery to increase its capacity to process heavier, less costly crude oil feedstock, realize complex refining processes to enhance margins and increase flexibility in product outputs. This project has been deferred subject to improved market conditions.

In December 2007, Husky Energy entered into an arrangement to create a 50/50 integrated oil sands joint venture with BP. Under the terms of the arrangement, Husky Energy contributed its Sunrise assets located in the Athabasca oil sands in northeast Alberta, Canada to an oil sands partnership and BP contributed its Toledo refinery located in Ohio, U.S.A. to a U.S. joint venture entity. The transaction closed in the first quarter of 2008 with an effective date of January 1, 2008. Refinery throughput averaged 61,900 barrels per day (Husky Energy share) of crude oil and other feedstock for the nine months of operations in 2008. Husky Energy and BP continued to progress a project to replace two naphtha reformers and one hydrogen plant with one 42,000 barrels per day continuous catalyst regeneration system plant. The project's objectives are to effectively and safely improve profitability while reducing operating risk, meet future product requirements and reduce the environmental footprint. A project team has also been launched to reposition the refinery to process bitumen from the first two phases of the Sunrise oil sands integrated project.

In 2007, Husky Energy completed construction and commenced production of a 130 million liter per year ethanol plant at Minnedosa, Manitoba. In 2006, the Lloydminster ethanol plant, which has a 130 million liter capacity, was completed and commenced production. In 2008, aggregate production from the two plants averaged 627,000 liters per day.

In 2008, Husky Energy's net loss in its downstream operations was C$295 million, primarily as a result of low refining crack spreads and inventory write downs in the fourth quarter of 2008.

Corporate

On June 12, 2008, Husky Energy initiated a cash tender offer to purchase any and all of its 8.90% capital securities. As of June 12, 2008, there were US$225 million of capital securities outstanding. The full tender offer consideration for the capital securities was US$1,010 per US$1,000 principal amount of capital securities plus accrued and unpaid interest. The tender offer expired on July 11, 2008 at which date US$214 million or 95% of the capital securities had been tendered. The settlement date occurred on July 11, 2008. The remaining capital securities were redeemed on August 14, 2008.

In 2008, Husky Energy redeemed 6.95% medium-term notes - Series E due July 14, 2009. The principal amount was $200 million and the redemption price, including accrued interest, totaled $208 million.

During 2008, Husky Energy repurchased US$63 million of its outstanding US$450 million 6.80% notes due September 2037.

Dividends of C$1.73 per share were declared totaling C$1.5 billion in 2008.

In February 2009, Husky Energy announced that its board of directors has approved a quarterly dividend of C$0.30 per share on its common shares for the three-month period ended December 31, 2008. The dividend has been paid on April 1, 2009 to shareholders of record at the close of business on March 2, 2009.

Finance & Investments

Hutchison receives substantial income from its finance and treasury operations, which is responsible for the management of Hutchison's cash deposits, liquid assets held in managed funds and other investments. Managed funds are portfolios of short-term liquid debt securities, primarily denominated in U.S. dollars, managed by independent professional fund managers in various financial centers around the world. Hutchison also has certain investments in shares and convertible securities of listed companies. Except for its listed subsidiaries and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, Hutchison operates a central cash management system for all its subsidiaries. Income from this division includes interest income, dividends from equity investments, profits and losses from sale of securities and foreign exchange gains and losses of non-HK dollar denominated liquid assets. Hutchison has adopted a strategy of minimizing credit, interest rate, market price and currency risks in its fixed income investments, and has divested its medium-term, long-term and foreign currency investments in favor of U.S. dollar denominated short-term liquid debt securities. It is Hutchison's policy not to enter into derivative transactions for speculative purposes. It is also Hutchison's policy not to invest liquidity in financial products (including hedge funds or similar vehicles) with significant underlying leverage or derivative exposure.

As of December 31, 2008, Hutchison's cash, liquid funds and other investments on hand totaled HK$88,021 million (US$11,285 million) of which 13% were denominated in HK dollars, 48% in U.S. dollars, 14% in Euro, 10% in Renminbi, 5% in Pound Sterling, and 10% in other currencies. Cash and cash equivalents represented 65% of such total, U.S. Treasury notes and listed fixed income securities 29%, listed equity securities 5% and long-term deposits and others 1%. The U.S. Treasury notes and listed fixed income securities, including those held under managed funds, comprised supranational notes 27%, government guaranteed notes 25%, financial institutions issued notes 21%, government related entities issued notes 17% and U.S. Treasury notes 10%. 73% of the U.S. Treasury notes and listed fixed income securities are rated at Aaa/AAA, with an average maturity of less than one year on the overall portfolio. Hutchison has no exposure in mortgage backed securities, collateralized debt obligations or similar asset classes.

The interest expense and finance costs related to Hutchison's various operating businesses are not attributed to this division but are disclosed separately in the consolidated profit and loss statement and notes thereto.

Others

Hutchison Whampoa (China) Limited

In addition to subsidiaries and joint ventures in several of its core businesses, namely container ports, property holding and development, retailing and infrastructure, Hutchison is also engaged in other activities in the Mainland through its wholly-owned subsidiary, Hutchison China. These activities include the manufacturing and trading of consumer detergent products, the provision of aircraft maintenance and engineering services, the provision of logistics services, the operation of a rice farm and rice trading, pharmaceutical research and development, and the manufacture and retail operations of healthcare and traditional Chinese medicine and pharmaceutical products.

In April 2006, Hutchison announced the listing of shares of Hutchison China MediTech Limited ("Chi-Med"), a wholly-owned subsidiary of Hutchison, on the Alternative Investment Market of the London Stock Exchange ("AIM"). The listing was completed in May 2006. Hutchison remains the majority shareholder of Chi-Med (71.6%) after the listing.

Hutchison China has the following major investments, which operate in the Mainland, Hong Kong and the UK:

- Guangzhou Aircraft Maintenance Engineering Company ("GAMECO") (50% interest), a joint venture with China Southern Airlines. GAMECO serves both Chinese and international airlines from its maintenance facility at Guangzhou's airport, conducting both routine maintenance services and overhauls. GAMECO has moved into new hanger facilities in the New Baiyun International Airport since August 2004, which provides extra production capacity for GAMECO to grow the business;

- China Aircraft Services Limited (20% interest), a joint venture with China Airlines, China National Aviation Corporation and United Airlines, provides aircraft maintenance and support services for various Chinese airlines, British Airways, United Airlines, Dragonair, Northwest, Japan Airlines and Hong Kong Express Airways at the Hong Kong International Airport;

- Hutchison OPTEL Telecom Technology Co. Ltd. (68% interest), a joint venture with Nortel Networks (Asia) Ltd. and OPTEL's management in Chongqing, develops and manufactures and sells optical transmission equipment and provides related services in the Mainland;

- Hutchison China MediTech Limited (71.6% interest), a company listed on the AIM. Chi-Med is engaged in carrying out pharmaceutical research and development, manufacturing, distribution and selling traditional Chinese medicine and healthcare products; and

- Shanghai Hutchison Whitecat Company Limited (80% interest), a joint venture with Shanghai Whitecat (Group) Company Limited, develops, manufactures and distributes consumer detergent products in the Mainland and overseas.

Hutchison Harbour Ring Limited

HHR is listed on the Main Board of the SEHK and is currently a 71.5% subsidiary of Hutchison. Based on the closing price of its shares on the SEHK on March 31, 2009, HHR had a market capitalization of approximately HK$5,281 million (approximately US$677 million).

HHR is principally engaged in the provision of integrated solutions of design, production and distribution of consumer electronic products and mobile phone accessories. The manufacturing facility of HHR is located in Southern Mainland. In addition, HHR also holds the licensing right in Hong Kong, Macau and the Mainland with Warner Bros Consumer Products Inc., and has investments in certain property complexes in Shanghai in the Mainland.

On May 16, 2008, HHR announced the disposal of its entire issued capital of an indirect wholly-owned subsidiary for a consideration of HK$4,957 million whose principal asset is ownership interests in an office tower in Shanghai. The gain on the disposal of this investment property amounted to approximately HK$2,141 million.

On September 29, 2008, HHR announced the disposal of 81% of equity interest in certain subsidiaries which operated toy manufacturing businesses in Dongguan, the Mainland, at a consideration of HK$37 million. HHR also agreed not to engage nor in any way assist in any activity in toy business with a list of customers for a period up to October 26, 2011. On March 10, 2009, the purchaser exercised its call option and acquired the remaining 19% interest at an exercise price of HK$8.6 million. The loss on disposal amounted to approximately HK$1 million.

E-Commerce Operations

Hutchison's e-commerce business invests in and operates e-commerce joint ventures. Hutchison has formed alliances with a number of strategic partners to invest in e-commerce opportunities. These operations include:

- bigboXX.com (100% interest) − an office supplies procurement portal for business corporations in Hong Kong;

- Hutchison-Priceline (84% interest) − an alliance between Hutchison and priceline.com of the United States, introduced priceline.com's "Name Your Own Price" business model to Asia for products such as air tickets, hotels and holiday packages;

- ESD*life* (85% interest) − a joint venture company held by Hutchison and Hewlett-Packard which won the contract to provide electronic service delivery for the Hong Kong Government in November 1999 for a period to January 2008. Such services enable users to conduct a wide variety of online transactions with various Hong Kong Government services and related commercial transactions. Through the establishment of a vast digital information infrastructure, ESD*life* has now focused on providing a one-stop shop for public and commercial electronic services, as well as professional web solutions;

- Vanda Group (100% interest) − a wholly-owned subsidiary of Hutchison since July 2006 which provides IT solutions, systems infrastructure and application solutions services. It has operations in the Mainland, Hong Kong and Macau; and

Hutchison also has a 50% interest in Metro Broadcast, a licensed radio broadcasting operator in Hong Kong currently operating three radio channels, namely Metro Finance (FM 104), Metro Info (FM 997) and Metro Plus (AM 1044).

Hutchison also has a 24.5% interest in TOM Group, a leading Chinese-language media group in the PRC listed on the Main Board of the SEHK. It has diverse business interests in four key areas: internet, publishing, outdoor media and television and entertainment.

Telecommunications

Hutchison is one of the world's leading competitors in mobile telecommunications and one of the first operators in the world offering 3G services in Europe, Hong Kong, Indonesia and Australia under the brand name "**3**" and also in Israel under the "**Orange**" brand. 2004 was the first full year of operations for Hutchison's 3G businesses, which have rapidly built up a customer base to over 20.7 million customers in nine countries as of March 25, 2009. Hutchison's listed subsidiary, HTIL, also has operations in various countries offering 2G and CDMA2000-1X services as well as 3G services. As of December 31, 2008, HTIL had a mobile customer base of 12.1 million customers.

Hutchison began its telecommunications business in Hong Kong in 1985 with the provision of analog mobile telecommunications services, and subsequently expanded into digital mobile telecommunication services. In Europe, Hutchison built and developed the highly successful Orange PCS network and took the company public before divesting its interest in 1999, whilst retaining the "**Orange**" branding rights in Israel. In the United States, Hutchison was an early investor in VoiceStream Wireless Corp. and supported and financed the development of VoiceStream into a major U.S. mobile telecommunications operator until VoiceStream's merger with Deutsche Telekom AG, a major European-based international telecommunications carrier. In India, Hutchison built and developed Hutchison Essar Limited (now known as Vodafone Essar Limited) ("Hutchison Essar"), which under the "**Hutch**" brand became one of the most successful operators in India. HTIL's indirect interest in CGP, which held through various subsidiaries all of HTIL's indirect interests in this Indian mobile telecommunications operation, was sold to a subsidiary of Vodafone Group Plc ("Vodafone") in 2007 for a cash consideration of US$11.1 billion.

Hutchison's telecommunications division is composed of:

- listed subsidiary HTIL (in which Hutchison currently holds an approximate 60.4% interest) comprising 2G and 3G mobile operations in Hong Kong, Macau, Israel and Indonesia, fixed line business in Hong Kong, 2G GSM mobile operations in Sri Lanka and CDMA2000-1X operations in Thailand. Its Vietnam operations is in the process of conversion from a CDMA to a GSM network.

- the **3** Group, comprising 3G mobile businesses in the UK, Italy, Ireland, Australia, Sweden, Denmark, Norway (in planning) and Austria.

HTIL's mission statement is to be a leading telecommunications operator focused on dynamic mobile markets. It believes that a combination of strong economic growth and favorable demographic profiles in these markets will result in sustained increasing demand for its services. HTIL intends to leverage its experienced management team and established track record of successfully developing and operating mobile telecommunications businesses to grow and diversify its revenue and profits. In particular, HTIL intends to continue to invest in the Indonesia and Vietnam markets in 2009, increasing the size of the network to approximately 9,000 base stations in Indonesia by the end of 2009 and 5,000 base stations in Vietnam within the first twelve months of the launch.

The **3** Group has made substantial investments to build 3G operations in certain key mature mobile telecommunications markets in Europe and Australia. 3G networks are more technically advanced than 2G and can support a wide range of Internet protocol services and applications. This broader range of services and applications represents a horizontal integration opportunity for 3G operators. Based on this opportunity, the **3** Group's focus is on a value creation opportunity relating to the conversion of the incumbents' 2G customers to 3G customers. The **3** Group intends to continue to grow its businesses and become profitable through the expansion of 3G service offerings and competitive tariff plans to stimulate customer growth. Hutchison may also capitalize on its expertise as a 3G network operator to exploit opportunities on a selective basis to provide 3G services to license holders. As the **3** Group businesses move closer to becoming cash flow positive and profitable operations, Hutchison will consider putting in place appropriate new capital structures, initially for Italy and UK businesses, in order to place them in a self-financing position.

A non-compete agreement exists between Hutchison and HTIL to maintain a clear delineation of their respective scope of geographical operations for defined telecommunications services. Hutchison's territory comprises Western Europe (meaning member countries of the European Union prior to its enlargement in 2004), Australia, New Zealand, the United States, Canada and unless and until such time as HTIL exercises its option to acquire Hutchison's interests in Telecommunications Argentina S.A., Argentina. On February 25, 2008, in accordance with the non-compete agreement, Hutchison granted its consent for HTIL to enter into a joint venture with the Philippines Long Distance Telephone Group to begin a Mobile Virtual Network Operators ("MVNO") business in Italy. In addition, in connection with the sale of HTIL's interest in CGP, HTIL agreed with Vodafone that for a period of three years from completion of the sale, it would not directly or indirectly carry on or become economically interested in, within India, any business carried on in competition with the business as carried on by Hutchison Essar, subject to certain exceptions.

As part of its strategy, Hutchison has formed alliances with leading international telecommunications providers and investors including:

- Investor AB, the largest diversified holding company in Sweden; and

- TCNZ, the leading integrated telecommunications operator in New Zealand.

Hutchison Telecommunications International Limited

Overview

Hutchison's principal 2G mobile telecommunications assets together with its 3G mobile telecommunications assets and fixed line business in Hong Kong were reorganized in 2004. In September 2004, these assets were combined under a single parent, HTIL, which was then listed on the SEHK and the New York Stock Exchange in October 2004. Based on the closing price of its shares on the SEHK on March 31, 2009, HTIL had a market capitalization of approximately HK$11,650 million (approximately US$1,494 million). In December 2005, Hutchison disposed of a 19.3% interest in HTIL to a strategic partner, Orascom Telecom, for a consideration of HK$10,095 million (US$1,294 million), which gave rise to a profit on disposal of HK$7,400 million (US$949 million). In June 2007, Hutchison acquired an additional 0.251% of HTIL's issued share capital from on-market purchases. In January 2008, Hutchison acquired from Orascom Telecom approximately 9.2% interest in HTIL. In October 2008, Hutchison acquired in the open market an additional 1.376% of HTIL issued share capital, and net of the dilution effects on the employee share option exercised in 2008, Hutchison's current holding in HTIL is approximately 60.4%.

In May 2005, HTIL announced a proposal to privatize Hutchison Global Communications Holdings ("HGCH") by way of a scheme of arrangement (the "Scheme") involving holders of HGCH shares not held by HTIL receiving either cash consideration of HK$0.65 (US$0.08) per share or two HTIL shares for every 21 HGCH shares in exchange for the cancellation of their shares and a reduction of the issued share capital of HGCH. The Scheme was sanctioned without modification by the Supreme Court of Bermuda on July 8, 2006. The Scheme became effective on July 15, 2005 and the withdrawal of listing of the HGCH shares from the Main Board of the SEHK became effective on July 18, 2005. As a result of the privatization, HGCH has become an indirect wholly-owned subsidiary of HTIL.

On May 8, 2007, HTIL completed the sale to a subsidiary of Vodafone of its entire interest in CGP, a company which held through various subsidiaries, all of HTIL's interests in the Indian mobile telecommunications operation, comprising Hutchison Essar and its subsidiaries. As a result of the sale, HTIL realized a pre-tax gain of approximately HK$69,343 million (US$8,890 million). On June 29, 2007, HTIL paid a special dividend out of the proceeds from the sale to shareholders equal to HK$6.75 per share, or approximately HK$32,234 million (US$4,133 million) in aggregate. The remaining balance of the proceeds from the sale was partially used to reduce HTIL's indebtedness and on December 2, 2008, HTIL paid a special cash dividend of HK$7 per share, or approximately HK$33,700 million (US$4,321 million) in aggregate. Hutchison's share of HTIL's profit from disposal on completion of the sale was

HK$35,820 million (US$4,592 million) and its share of the cash dividend was HK$16,037 million (US$2,056 million) and of the second one was HK$20,341 million (US$2,608 million).

On May 8, 2007, HTIL's Share Option Scheme was amended to allow the downward adjustment to the exercise price of the share option granted but not exercised as the date of each payment of special dividend by HTIL by an amount which the Board of Directors of HTIL considers as reflecting the impact such payment will have or will likely have on the trading prices of the ordinary shares of HTIL, provided that, inter alia, (a) the amount of the downward adjustment shall not exceed the amount of such special dividend to be paid; (b) such adjustment shall take effect on the date of payment by HTIL of such special dividend and (c) the adjusted exercise price of the share options shall not, in any case, be less than the nominal value of the ordinary shares of HTIL.

In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), the holding company of HTIL's Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of the SEHK by way of introduction, involving no initial public offering of shares or raising of capital. The spin-off remains subject to the approval of the SEHK. There will be no dilutive effect on the existing HTIL shareholders, who will remain as the shareholders of both HTIL and HTHKH upon the completion of the spin-off.

HTIL currently offers mobile and fixed-line telecommunication services in Hong Kong, and operates mobile telecommunication services in six other markets around the world: Macau, Israel, Thailand, Indonesia, Vietnam and Sri Lanka.

HTIL uses 2G GSM, CDMA, GPRS and 3G platforms to offer customers a wide variety of telecommunications services, ranging from basic voice and data services to multimedia services using advanced mobile technologies. Its services are marketed under the **3** brand in Hong Kong, Macau and Indonesia, the **Hutch** brand in Sri Lanka and Thailand and the **Orange** brand in Israel, as well as the **Vietnamobile** brand to be launched in Vietnam.

On March 4, 2009, HTIL announced its audited 2008 annual results and fourth quarter key performance indicators. The key performance indicators for HTIL are as follows:

	Customer base as of December 31, 2008			**Average Revenue per User ("ARPU") for fourth quarter ended December 31, 2008**		
Location	Total ('000)	Postpaid ('000)	Prepaid ('000)	Blended Total	Postpaid	Prepaid
Hong Kong (incl. Macau)	2,702	1,792	910	HK$148	HK$213	HK$19
Indonesia	4,501	11	4,490	IDR11,000	IDR134,000	IDR11,000
Israel	2,898	2,153	745	NIS158	—	—
Sri Lanka	887	—	887	LKR164	—	LKR164
Thailand	1,070	413	657	THB381	THB762	THB142
Total	12,058	4,369	7,689			

Notes:

(1) A customer is defined as a postpaid customer or a prepaid customer who has a Subscriber Identity Module ("SIM") or Universal Subscriber Identity Module ("USIM") that has access to the network for any purpose, including voice, data or video services.

(2) Postpaid customers are defined as those whose mobile telecommunications service usage is paid for in arrears upon receipt of the mobile telecommunications operator's invoice and who have not been temporarily or permanently suspended from service.

(3) Prepaid customers are defined as customers with prepaid SIM cards or prepaid USIM cards that have not been used up or expired at period end. A new prepaid customer is recognized upon making the first call or registration/activation.

(4) All numbers quoted on the basis of the total customer base of the operation irrespective of the HTIL's ownership percentage.

(5) All customer base numbers quoted are as of the last day of the quarter.

(6) The data for Hong Kong and Israel relates to both 2G and 3G services.

(7) The monthly ARPU is calculated as the total service revenues for the month divided by the simple average number of activated customers for

the month. The monthly ARPU for the quarter represents the average of the monthly ARPU in the quarter. Service revenues are defined as the direct recurring service revenues plus roaming revenues.

Hong Kong and Macau Mobile

In Hong Kong, HTIL provides 2G GSM dual band and 3G mobile telecommunications services, all under the **3** brand. In Macau, it provides 2G GSM dual band and 3G mobile telecommunications services, using the **3** brand after re-branding from the Hutchison Telecom brand. HTIL maintained its position as one of the largest mobile telecommunications operator in Hong Kong in terms of customer numbers, and together with Macau, provided services to 2.7 million registered customers as of December 31, 2008. On July 25, 2008, the acquisition of NEC Corporation's 5% interest in the operating companies in Hong Kong and Macau was completed and increased HTIL's interest from 70.9% to 75.9%. In July 2008, Hutchison was the first operator in Hong Kong to launch and sell the iPhone™ 3G.

Hutchison became Hong Kong's first 3G mobile telecommunications services provider in January 2004, using UMTS technology. HTIL is the largest 3G service provider in Hong Kong. Its 3G network covers 99.9% of the population of Hong Kong and now provides territory-wide HSDPA coverage. HTIL also offers GPRS technology in Hong Kong, which utilizes GSM frequencies.

Following the award of a 3G license in Hong Kong in October 2001, Hutchison obtained one block of paired spectrum of 2 x 14.8 MHz and one block of 5 MHz unpaired spectrum in the 1900 to 2200 MHz spectrum band. The Hong Kong Government has introduced an open network access framework, in which 3G licensees have to make available up to 30% of the capacity of their networks for use by non-affiliated mobile virtual network operators and content/service providers.

HTIL currently hold two 2G licenses in Hong Kong. The first license, under which it provides GSM service in the 900 MHz radio spectrum band, expires in November 2020. The second 2G license in the 1,800 MHz band expires in September 2021. HTIL's 3G license in the 2,100 MHz band expires in October 2016.

On January 22, 2009, HTIL through a jointly controlled entity with Hong Kong Telecommunications (HKT) Limited successfully bid for a total of 30 MHz of radio spectrum in the 2.5G GHz band at a total spectrum utilization fee ("SUF") of HK$518 million. A Broadband Wireless Access License will be issued by the Office of Telecommunications Authority in Hong Kong upon receipt of the SUF, performance bond and license fee from the jointly controlled entity.

Hong Kong Fixed Line

Hutchison's fixed line operations in Hong Kong through Hutchison Global Communications Limited are grouped into:

- international and carrier business;
- corporate and business market; and
- residential market

The international and carrier business is mainly comprised of International Private Leased Circuit ("IPLC"), data and IDD services. The corporate and business market represents mainly leased-line, voice, data, broadband and IDD services to large corporate as well as mobile operators. The residential market includes the provision of voice, broadband and IDD services.

HTIL is currently one of the largest fixed-line telecommunications operators in Hong Kong, with approximately 336,000 residential voice lines as of December 31, 2008. HTIL is also a broadband Internet service provider, with approximately 261,000 residential broadband internet customers as of December 31, 2008, representing growth of 2.4% from December 31, 2007.

HTIL currently owns and operates what it believes to be the largest fiber-optic building-to-building telecommunications network in Hong Kong, with approximately 5,310 kilometers of linear ducting and over 965,000 kilometers of core fiber-optic cable.

The local and IDD voice call services, broadband Internet access and various data transmission services were offered to business and residential customers in Hong Kong formerly through Hutchison Global Communications Limited, a subsidiary of HGCH, which was listed on the SEHK. As a result of the privatization of HGCH in July 2005 by way of a scheme of arrangement, HGCH became a wholly-owned subsidiary of HTIL and is no longer listed on the SEHK.

Israel

In Israel, HTIL provides 2G and 3G mobile telecommunications services through Partner Communications. As of December 31, 2008, HTIL held an approximate 51.45% equity interest in Partner Communications. The ordinary shares of Partner Communications are traded on the Tel Aviv Stock Exchange and its American Depository Shares are quoted on The NASDAQ National Market. While it was previously listed on the London Stock Exchange, Partner Communications discontinued its listing of its American Depositary Shares on that exchange effective March 12, 2008.

Partner Communications operates a 2G GSM network launched in 1999, and a 3G UMTS network launched in December 2004. The combined mobile operations are marketed under the **Orange** brand name for which Partner Communications has a branding license. As of December 31, 2008, Partner Communications had approximately 2.9 million customers.

Partner Communications holds a license for 900 MHz spectrum for offering cellular telephone services, originally issued in 1998. Partner Communications was awarded 1800 MHz and 3G band 1900 MHz and 2100 MHz spectrum for 3G services in December 2001. The license, which applies to all spectrum held by Partner Communications, is valid until February 2022 and may be renewed for additional six-year terms.

In July 2006, Partner Communications acquired the fiber-optics cable infrastructure of Med I.C.−1 (1999) Ltd., comprising a network of approximately 900 kilometers of submerged and terrestrial transmission fiber in Israel, to reduce its transmission costs as well as permit it to provide some of its business customers with bundled services of transmission of data and voice. Partner Communications was also awarded two new telecommunications licenses during 2006 and 2007 for transmission and fixed-line telephony.

In 2008, the 2004 Share Option Plan of Partner Communications was amended to include the following material amendments: to increase the total number of the shares reserved for issuance upon exercise of all options granted under the 2004 Share Option Plan by 8,142,000 shares; to introduce the acceleration of vesting of unvested options in the event of a change of control or the exercisability of vested options in the event of voluntary winding up; and to allow, upon compliance with certain conditions, the "cashless" exercise of vested options during certain periods. Upon a cashless exercise, each vested option will entitle its holder to purchase ordinary shares of Partner Communications in accordance with a formula set forth in the Option Plan, which generally reflects the number of vested options to be exercised, the exercise price thereof and the then fair market value of an ordinary share. These amendments were approved by the shareholders of Partner Communications, HTIL and Hutchison at the respective Annual General Meetings held in 2008.

Thailand

HTIL's business operations in Thailand are conducted mainly through two consolidated subsidiaries, Hutchison CAT Wireless MultiMedia Limited ("Hutchison CAT") and BFKT (Thailand) Limited ("BFKT"), which both exercise contractual rights that have been negotiated with CAT Telecom Public Company Limited ("CAT Telecom"). CAT Telecom has the right to operate a CDMA2000-1X network. Hutchison CAT is a corporation with two principal shareholders, Hutchison Wireless MultiMedia Holdings Limited ("Hutchison Wireless"), and CAT Telecom. Hutchison CAT has an agreement to market CAT Telecom's services in central Thailand, an area that covers 25 of Thailand's 76 provinces, including the capital city of Bangkok, and a population of approximately 20 million people, representing 33% of Thailand's population. BFKT owns mobile network equipment and has a contract to lease the equipment and accessories comprising switching subsystems, base stations subsystems, networking subsystems, ancillary equipment for switching systems and network systems, test devices and radio system analysis equipment to CAT Telecom.

Hutchison commenced operations in Thailand in February 2003 when Hutchison CAT began marketing CAT Telecom's CDMA2000-1X network services in the greater Bangkok area using the **Hutch** brand, under a marketing services agreement effective until 2015. As of December 31, 2008, the **Hutch** brand service had over 1.0 million customers.

CAT Telecom has built a network for its services using CDMA2000-1X EV-DO technology under the **CAT CDMA** brand in the 51 provinces in Thailand that are not within Hutchison CAT's marketing area. In April 2007, Hutchison CAT and CAT Telecom commenced nationwide CDMA roaming service between CAT Telecom's CDMA network in the 51 provinces and the CDMA network in the 25 provinces covered by Hutchison CAT.

In January 2008, HTIL announced it has taken an impairment charge in relation to its investment in its mobile telecommunications business in Thailand in its 2007 audited consolidated financial statements of HK$3,854 million (or approximately US$494 million) and to realize a corresponding deferred tax credit of HK$421 million (or approximately US$54 million).

In 2008, CAT Telecom launched both postpaid and prepaid services utilizing CDMA2000-1X EV-DO technology in the 51 provinces of Thailand that are not within Hutchison CAT's marketing area. The launch helped to extend CDMA technology awareness among the general population around the country, which had been dominated by GSM nationwide. The voice roaming between Hutchison CAT and CAT Telecom has enhanced the efficiency of the CDMA network throughout the country and expanded Hutchison CAT's connectivity.

Indonesia

HTIL provides mobile telecommunications services in Indonesia through PT Hutchison CP Telecommunications (formerly known as PT Cyber Access Communications) ("HCPT"). HTIL holds a 65% interest in HCPT. HCPT holds a combined nationwide 2G and 3G mobile telecommunications license. It launched services in Indonesia in the first half of 2007 and provides services on a GSM 1800 network.

HCPT has extended its network to cover most of the major towns on the island of Java, Bali, Lombok, Batam, Sumatra and Sulawesi. As of December 31, 2008, HCPT had over 4.5 million users.

HCPT is continuing to build its nationwide wireless network and has engaged PT Nokia Siemens Networks for the majority of the network deployment.

On March 18, 2008, HCPT entered into a conditional Tower Transfer Agreement to sell up to 3,692 base station tower sites to PT Professional Telekomunikasi Indonesia ("Protelindo") for a cash consideration of US$500 million (HK$3,882 million). Completion of the sale is expected to occur in tranches over a two-year period. During 2008, the sale of Tranche 1 and 2, comprising 2,248 sites, was completed whereby HTIL recognized a gain of US$182 million (HK$1,421 million) from the sale.

Concurrent with the Tranche 1 completion, HCPT and Protelindo entered into a Master Lease Agreement pursuant to which HCPT has been given (i) the right to access, occupy and use the capacity reserved for HCPT on such of the base station towers and related infrastructure as HCPT may elect for an initial period of twelve years which, at HCPT's election, may be extended for another six years, and (ii) the option to acquire Protelindo's right, title and interest in such facilities at a pre-agreed price. The transaction has been accounted for as an operating lease and HTIL recognized a corresponding operating lease expense of HK$128 million during the year ended December 31, 2008.

Vietnam

In February 2005, Hutchison Telecommunications (Vietnam) S.à r.l. ("HTV", a wholly-owned subsidiary of HTIL) and Hanoi Telecommunications Joint Stock Company ("Hanoi Telecom") obtained an investment license from the Ministry of Planning and Investment of Vietnam permitting them to engage in a business cooperation contract ("BCC") in accordance with a license for establishment of a CDMA-based network and operation of mobile telecommunications services issued to Hanoi Telecom. In March 2008, the People's Committee of Hanoi City approved the application for the conversion of the BCC project from CDMA to GSM technology. In connection with the approval for the conversion, the original investment license was relinquished and a new investment license was granted for a period of 15 years beginning from March 8, 2008. In the lead up to network conversion, the Vietnam operations stopped new customer recruitment during the first quarter of 2008 and completed customer migration to another CDMA network in the second quarter. HTIL is currently in the build out phase of a nationwide GSM-based network and intends to launch a GSM service in 2009 under the brand "**Vietnamobile**".

Sri Lanka

HTIL holds a 100% equity interest in Hutchison Telecommunications Lanka (Private) Limited ("Lanka"), which holds one of the six nationwide mobile telecommunications licenses in Sri Lanka. Lanka launched full GSM services under the **Hutch** brand in May 2004.

Lanka operates a nationwide GSM network with a customer base of approximately 0.9 million customers as of December 31, 2008.

Ghana

HTIL held a 100% equity interest in Kasapa Telecom Limited (“Kasapa”), a network operator in Ghana, which has a 15-year replacement license effective December 2, 2004, authorizing the provision of mobile cellular service on its 800 MHz spectrum and then offering CDMA2000-1X services.

On July 11, 2008, HTIL sold all of its shareholdings in Kuwata Limited, a wholly-owned subsidiary of HTIL, which held the indirect equity interest in Kasapa plus HTIL’s associated loan and intellectual property interests held through various subsidiaries, for a cash consideration of approximately HK$584 million.

3 Group

Overview

Hutchison’s **3** Group includes the 3G mobile telecommunications businesses in the UK, Italy, Ireland, Australia, Sweden, Denmark, Norway (in planning) and Austria. Hutchison’s 3G businesses became operational in the first half of 2003 and progressively into 2004 (Norway is currently in a planning phase). As of March 25, 2009, Hutchison’s 3G operations (including HTIL’s 3G operations) had over 20.7 million 3G customers worldwide.

Hutchison believes that the advent of 3G wireless data transmission will revolutionize the way that people and businesses communicate and conduct transactions. While still under development, many operators are rapidly adopting forms of wireless data and Internet convergent technology. It is expected that the proliferation of Internet protocol applications and services available over wireless data networks will significantly increase use of the wireless medium. Advances in technology continue to further enhance users’ ability to connect or integrate a wide range of devices more simply to wireless handsets. 3G operators are expected to benefit from continuing development by virtue of higher network usage and being able to offer a wider range of products and services and by bolstering third-party revenue streams from advertising and transaction based services.

Competitive 3G networks have been established in major European markets. Hutchison believes the entry of competing 3G networks has been beneficial to the **3** Group which includes improving customer awareness, expanding and making more competitive network and handset supply and participating in technical standardization. For example, the enlarged market has increased both the number of handset suppliers offering quality products and the range of product specifications at various price points.

As a leading global player in the 3G arena, the **3** Group is continuing to look towards the development of new services. Currently, the **3** Group is rolling out broadband Internet live products and continues to upgrade its networks to the HSDPA/HSUPA mobile broadband standard, which increases the data throughput capability and speed. In February 2006, the **3** Group announced an agreement with Skype to enable Skype communications on 3G. In Sweden, Hi3G Access started offering Skype services to customers in 2006. In March 2006, the **3** Group announced that it had signed a global services agreement with Microsoft to enable the delivery of seamless access to Microsoft communication services, MSN® Messenger and MSN® Hotmail to **3** worldwide. In June 2006, the **3** Group announced that it had signed a global agreement with Yahoo! for the provision of its portfolio of mobile services which include Yahoo! Search and Yahoo! Mobile Web to **3** worldwide. Yahoo! Search was launched successfully by **3** UK at the beginning of August 2006. Building on these global agreements, in November 2006, the **3** Group announced the launch of the X-Series portfolio of services which offer its customers access to a portfolio of core Internet applications via their 3G mobile devices at a flat access fee. These services are being offered in alliance with Skype, Sling Media, Yahoo!, Nokia, Google, eBay, Microsoft, Orb and Sony Ericsson.

With the upgrading of Hutchison’s networks for HSDPA/HSUPA capability and the availability of sleek USB modems, **3** Group is becoming a significant competitor in the provision of mobile broadband Internet access. A modem connected to or a USIM card inserted into a laptop computer or PC supports connectivity of a computer over the UMTS radio networks to the Internet at data transmission speeds currently up to 7.2 Mbps for HSDPA and up to 1.6 Mbps for HSUPA in some regions. The flexibility of the UMTS technology is facilitating **3** Group’s extension of its business model to an Internet service provider and to enjoy the related additional margins from those customers in addition to mobile telephony and messaging revenue streams.

In October 2007, **3** Group announced the launch of the **3** Skypephone which represents an even more compelling mobile Internet convergent product proposition. The **3** Skypephone is a purpose-built, fully-featured 3G Internet phone with Skype functionality integrated into the handsets native functionality. In addition to making conventional telephone calls, **3** Skypephone users will be able to make free calls and send instant messages to Skype's registered users worldwide.

To help further maximize the customer experience with the **3** Group's high-speed mobile broadband network, **3** Group has designed and developed innovative yet affordable and simple-to-use consumer devices that put social networking, email and instant messaging at the heart of mass-market mobile handsets. Sales of the **3** Group's extensive range of mobile handsets, including **3** Skypephones and the recently launched INQ[1] have been encouraging. The latter won the GSM Associations global award for the "Best Mobile Handset or Device" for 2009.

Key Business Indicators ("KBI")

The key business indicators for the 3G businesses of **3** Group and HTIL as included in Hutchison's 2008 annual report are as follows:

Customer Base

	Registered Customers at March 25, 2009 ('000)			Registered Customer Growth (%) from December 31, 2007 to December 31, 2008		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
UK & Ireland	1,728	3,653	5,381	3%	35%	23%
Italy	5,972	2,913	8,885	-3%	29%	5%
Australia(1)	241	1,949	2,190	12%	31%	29%
Sweden & Denmark	130	1,163	1,293	37%	37%	37%
Austria	180	533	713	17%	32%	28%
3 Group Total	8,251	10,211	18,462	-1%	33%	15%
Hong Kong and Macau(2)	95	1,245	1,340	59%	22%	24%
Israel(2)	—	951	951	—	50%	50%
Total	8,346	12,407	20,753	—	33%	17%

Customer Service Revenue and Gross Margin

	Revenue for the twelve months ended December 31, 2008 (millions)					Growth (%) compared to the twelve months ended December 31, 2007			
	Prepaid Prepaid	% of total Revenue Postpaid	Postpaid Total	% of total Revenue Total	Total	Revenue			Gross Margin(3)
UK & Ireland(4)	£168.8	11%	£1,390.5	89%	£1,559.3	14%	8%	9%	19%
Italy	€551.6	32%	€1,174.0	68%	€1,725.6	-32%	-2%	-15%	-11%
Australia(1)	A$77.0	5%	A$1,390.9	95%	A$1,467.9	5%	27%	25%	27%
Sweden & Denmark	SEK94.0	2%	SEK4,468.3	98%	SEK4,562.3	22%	17%	17%	27%
Austria	€5.2	3%	€164.7	97%	€169.9	-10%	-5%	-5%	4%
3 Group Total	€821.0	16%	€4,331.8	84%	€5,152.8	-25%	—	-5%	1%

12-month Trailing Average Revenue per Active User ("ARPU")(5) to December 31, 2008

Total				Non-voice	
Prepaid	Postpaid	Blended Total	% Variance compared to December 31, 2007	ARPU	% of total ARPU

UK & Ireland[(4)]	£15.77	£38.91	£33.57	-14%	£11.25	33.5%
Italy	€13.42	€43.50	€25.34	-14%	€8.03	31.7%
Australia[(1)]	A$37.04	A$69.67	A$66.54	-3%	A$20.76	31.2%
Sweden & Denmark	SEK122.01	SEK396.77	SEK379.18	-12%	SEK137.74	36.3%
Austria	€15.11	€34.34	€33.04	-22%	€12.00	36.3%
3 Group Average	€14.92	€43.88	€33.50	-16%	€11.00	32.8%

(1) Revenue, ARPU and active customers of December 31, 2008 announced by listed subsidiary HTAL with active customers updated for net additions to March 25, 2009.

(2) Hong Kong and Macau active customers and Israel customers as announced by listed subsidiary HTIL as at March 4, 2009.

(3) The percentage represents the increase or decrease in the amount of the gross margin profit reported.

(4) As mentioned in Hutchison's annual results announcement for 2007, **3** UK has discontinued promotional discount offerings in 2008. For better comparison purposes, the #% increase KBIs have been calculated to measure against the previous year's amounts after deducting promotional discounts.

(5) ARPU equals total revenue excluding handset and connection revenues, divided by the average number of active customers during the period, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding three months.

The total customer base grew from approximately 670,000 at the end of 2003 to a total of over 20.7 million as of March 25, 2009. **3** Group's ARPU on a 12-month trailing average has decreased from €39.95 at December 31, 2007 to €33.50 at December 31, 2008, whilst the proportion of non-voice ARPU was 33% of total ARPU, higher than that of 2007.

United Kingdom & Ireland

3 UK and **3** Ireland commenced offering full commercial services in 2003 and 2005, respectively. The combined customer base grew by 23% in 2008 to total over 5.2 million customers at December 31, 2008 and reached over 5.3 million at March 25, 2009. The combined revenue at December 31, 2008 of **3** UK and **3** Ireland, in Pound Sterling of approximately £1,559 million, was 9% above that at December 31, 2007, reflecting increased revenue from the enlarged customer base, partially offset by the adverse impact of regulated interconnection rates and international roaming fee reductions in the UK and also the nine-fold increase of mobile broadband customers to over 1.0 million, which typically generate lower average ARPU but contribute higher gross margin. Combined LBIT in 2008, before including non-recurring foreign exchange gains, in Pound Sterling improved 66% compared to 2007, due to improved gross margins, tight cost controls, reduced amortization of contract CACs capitalized in prior periods and reduced depreciation charges. During 2008, Hutchison refinanced certain non-Sterling borrowings with Sterling bank loans to create a natural currency hedge against **3** UK's assets denominated in Sterling and recorded a foreign exchange gain of HK$586 million (approximately US$75 million) (2007 — HK$1,123 million).

United Kingdom

Hutchison currently has a 100% interest in **3** UK, which has one of five licenses to operate a national 3G network in the UK. The license, which matures on December 31, 2021, permits **3** UK to use 15 MHz of paired radio spectrum and 5 MHz of unpaired radio spectrum for the duration of the license and to build, own and operate a radio communications network to provide 3G mobile telecommunications services using the UMTS/IMT-2000 standard in the UK, excluding the Isle of Man and the Channel Islands. **3** UK has already met the license requirement to roll out and maintain its network so as to cover an area where at least 80% of the UK population lives, three years ahead of the regulatory requirement. The current 3G network coverage exceeds 90%.

3 UK successfully commissioned the first operational 3G network in the UK. **3** UK chose Nokia to supply the core network, which includes packet core elements and 3G mobile switches. The radio access network, including base station controllers and base stations, has been supplied by NEC and Nokia. **3** UK's 3G network coverage is supported by GSM national roaming agreements with Orange Personal Communications Services Limited and O2 for the supply of voice, text and data services. These agreements provide coverage to 99% of the UK population.

In December 2007, **3** UK & T-Mobile UK Limited entered into a network sharing arrangement. The arrangement will mean an accelerated roll-out of a more expansive 3G network for both parties to over 98% of UK population coverage and is expected to generate significant cost benefits for **3** UK. The rollout of this network sharing arrangement is progressing well.

3 UK continues to expand its HSDPA services and is now the largest HSDPA network in the UK.

3 UK has also signed numerous content agreements to support its product portfolio. For example, **3** UK gained the rights to distribute the BBC TV channels via mobile phones and wireless devices. It also has agreements with major high street retailers including Carphone Warehouse, Dixons and Phones 4U to sell **3** products and services.

3 UK is also expanding its own retail distribution division and currently has nationwide retail presence with a retail footprint of 298 stand-alone stores and 9 Superdrug concessions.

In December 2005, **3** UK signed an outsourcing agreement with Ericsson for the operational management of **3** UK's commercial network infrastructure and information systems. Network ownership and strategic decisions remain with **3** UK.

In September 2007, **3** UK signed an amendment to the outsourcing agreement with Ericsson. Pursuant to the amendment, Ericsson's obligations to pay certain key third party suppliers on behalf of **3** UK were removed although Ericsson will remain responsible for the performance management of those contracts. **3** UK regained control of the third party contracts for management of the radio access network and transmission. In addition, the amendment modified the scope of Ericsson's obligations to provide greater flexibility for **3** UK to explore opportunities to reduce costs by means of network sites and infrastructure sharing with T-Mobile UK Limited. In addition, **3** UK re-purchased from Ericsson occupancy rights and equipment in eight data centers which form part of **3** UK's 3G network infrastructure, for a total cost of £203 million (US$416 million).

Ireland

3 Ireland holds one of four licenses to operate a national 3G network in the Republic of Ireland. The license authorizes **3** Ireland to use 15 MHz of paired spectrum for 20 years, from 2002, to provide 3G services. The total spectrum access fee for the license is €50.7 million, of which an initial installment of €12.7 million has been paid. An additional €2.5 million per annum is payable in years 6 to 10 (that is, 2008 to 2012) and €5.1 million per annum is payable in years 11 to 15 (that is, 2013 to 2017).

Under the terms of the license, **3** Ireland is required to achieve a minimum of 53% population coverage by June 30, 2005 (which was achieved), and an 80% population coverage by June 30, 2007 (which was achieved). During 2008, **3** Ireland continued to roll out its network and at December 31, 2008, 743 cell sites were in operation with footprint coverage of over 88.1% of the population and over 99.5% coverage via a 2G national roaming agreement with Vodafone. **3** Ireland commenced commercial services in November 2005.

In order to support its retail distribution, **3** Ireland has entered into agreements with major high street retailers including Carphone Warehouse, Xtravision and Sigma Telecom to sell its products and services. At the same time, **3** Ireland is also building its own retail distribution channels, purchasing eight stores in 2006. In 2007, **3** Ireland has continued its expansion of its retail distribution channels with the opening of an additional eight retail outlets in prime city and town locations. During 2008, a further five stores were opened, bringing the total number of retail outlets to 21 at the end of December 2008. **3** Ireland plans further expansion of its own retail stores in 2009 with the potential of a further five stores in key retail locations. In January 2009, **3** Ireland signed a deal with Irish distributor, BPI Telecom which will increase its retail presence by more than 200 outlets.

In addition, **3** Ireland has also signed numerous content agreements to support its product portfolio. Cost savings and synergies are being achieved between the UK and Ireland operations.

During 2006, **3** Ireland launched its HSDPA enabled network in Dublin city and is continuing to invest in its network.

3 Ireland is continuing to offer a wide range of services. In 2008, **3** Ireland was first to market with the launch of its Prepay USB product. In addition, **3** Ireland was also the first to launch a new hybrid tariff called "Best of Both" that enables consumer to have the benefit of Postpay Rates and Tariffs to a value of a monthly commitment of €25 and then the flexibility of Top-Up like Prepay.

In December 2008, **3** Ireland was awarded a contract under the National Broadband Initiative to rollout HSDPA network based broadband access services to areas in Ireland without access to the technology. **3** Ireland will have full ownership and operation of this network and its customers and will receive milestone based subsidy payments from the

Irish Government.

Italy

Hutchison's subsidiary **3** Italia (through its wholly-owned operating subsidiaries, H3G S.p.A. and **3** Lettronica Industriale S.p.A., together "**3** Italia") commenced offering full commercial services in 2003 under the **3** brand name. The customer base grew 5% to over 8.6 million at December 31, 2008 and reached over 8.8 million at March 25, 2009. Revenue in 2008 of approximately €1,726 million was 15% below last year mainly due to the adverse effects of regulatory actions affecting prepaid top-up charges and mobile termination rates, and also competition. LBIT, before including non-recurring foreign exchange gains, increased by 16% in local currency compared to last year. During 2008, Hutchison refinanced certain non-Euro borrowings with Euro bank loans to create a natural currency hedge against **3** Italia's assets denominated in Euro and recorded a foreign exchange gain of HK$1,065 million (approximately US$137 million) (2007 — HK$775 million).

3 Italia holds one of five licenses to operate a national 3G network in Italy. Hutchison's shareholding partner in **3** Italia is NHS Investments S.A., an Intesa Sanpaolo Group, one of the leading Italian banking groups. Hutchison's current effective interest in **3** Italia is approximately 97.41%, an increase from 91.33% as of December 31, 2004 as a result of further equity injections and conversion of shareholder's loans to equity capital by Hutchison made in 2005 of approximately €2,916 million and acquired shares held by minority shareholders which represented 0.3%, 1.8% and 0.3% of **3** Italia's total share capital in 2005, 2007 and 2008 respectively.

In April 2006, Hutchison privately placed units whereby unit holders acquired an indirect 10% interest in **3** Italia for an aggregate consideration of €420 million. In certain circumstances, Hutchison has a call option to buy back the units, and unit holders have the right to put the units to Hutchison or convert them into shares representing, in aggregate, 10% of **3** Italia. The call, put or conversion rights expire on April 4, 2009 or, if there is an IPO or trade sale of **3** Italia shares between April 2007 and April 2009, the date which is two years after the date of the IPO or trade sale. Hutchison retains effective control of the 10% interest in **3** Italia indirectly held by the unit holders pending expiry of the call, put and conversion rights.

3 Italia's license permits the use of 15 MHz of paired radio spectrum and 5 MHz of unpaired radio spectrum for 20 years from January 1, 2002. The license also allows **3** Italia to own and operate a radio communications network to provide 3G mobile telecommunications services using the UMTS/IMT-2000 standard. **3** Italia has met the requirements to rollout and maintain its network so as to cover all the provincial capitals in Italy by January 1, 2007. In 2007, the Italian Ministry of Telecommunications issued a decree for license operators to apply for the extension of the license period for another 15 years to 35 years. The application has been made by **3** Italia and the relevant formal approval procedures are near finalization. The proposed formal decree to be issued by the Italian government will extend the license period for another eight years while confirming an additional seven years extension after filing of relevant business plans by **3** Italia. The decree also includes clauses which allow operators to apply for further extension after the issuance of the decree, to extend the license for a period equal to the previous one. The renewal procedure is on a request basis with minimal filing requirements.

3 Italia successfully commissioned the first operational 3G network in Italy. **3** Italia chose Ericsson and Siemens-NEC as technological partners for the building of its UMTS network. Ericsson built the core network and, currently, 51.6% of the radio access network. The remaining 48.4% of the radio access network has been built by Siemens-NEC. In April 2005, in order to better explore the capabilities of its technology partners, **3** Italia also entered into an agreement with Ericsson with respect to the management and maintenance of its core network for a period of five years. **3** Italia has an agreement with TIM S.p.A. ("TIM") for domestic roaming, which allows **3** Italia to offer its customers GSM and GPRS services using the TIM network in areas not covered by the **3** Italia UMTS network.

In addition, **3** Italia has implemented a network upgrade program to rollout HSDPA on the entire network and has completed the upgrade with 1.8 Mbps downlink speed. Further HSDPA upgrades to higher speeds in all major cities are progressing well.

In November 2005, **3** Italia completed an agreement with Profit Group for the acquisition of Channel 7. Channel 7 holds a network license for national digital TV distribution on terrestrial frequencies. From that point onward, **3** Italia deployed a Digital Video Broadcast to Handheld ("DVB-H") network and in June 2006 has started its commercial testing, and in September 2006 full commercial services on mobile Pay-TV and interactive services offerings for videophones with combined UMTS/DVB-H capability, and became the first Italian mobile video company able to offer DVB-H services on its own network. Full coverage of major cities was achieved by the end of 2006. The new mobile digital broadcasting platform provides full content mobility for customers within the coverage area and a standard of video quality comparable to DVD. By integrating DVB-H technology with **3** Italia's UMTS network, **3** Italia offers a powerful, convergent and interactive system for personal communication. The service launched with two channels produced by **3** Italia and seven channels supplied by RAI, Mediaset and Sky.

In December 2006, **3** Italia refinanced all its existing bank debt and vendor financing facilities, through a new syndicated banking facility maturing in 2011 of €3,000 million guaranteed by Hutchison, which was fully drawn in the first quarter of 2007, and funding from a Hutchison shareholder loan.

Australia

HTAL was formed in 1989 as the result of the consolidation of Australian paging companies. In the following years, HTAL broadened its scope of services to include GSM resale, messaging and information services and other telecommunications products. In 1999, HTAL adopted the **Orange** brand to market its services including 2G CDMA services and, in the same year, HTAL was listed on the Australian Securities Exchange ("ASX"). In 2003, HTAL launched 3G UMTS services under the **3** brand name. In February 2006, HTAL joined its mobile services under the single brand **3** and announced plans to upgrade 2G customers to the 3G network and service. In August 2006, HTAL closed the CDMA network, having transferred over 287,000 customers to its 3G network, and HTAL's 3G services are now the focus of its business. Hutchison currently has a 52.03% interest in HTAL.

In June 2007, HTAL completed an A$2.8 billion renounceable rights issue of non-voting convertible preference shares, underwritten by Hutchison. The convertible preference shares have a non-conversion period of two years subject to limited exceptions, and a term of five years from the allotment date on June 8, 2007, at the end of which all convertible preference shares, to the extent not already converted, will automatically convert into ordinary shares in HTAL's issued share capital. The convertible preference shares have a right to a non-cumulative preferential dividend equal to 5% per annum of the issue price of A$0.21 per convertible preference share, subject to the directors determining, in their discretion, that a dividend is payable. Hutchison subscribed for 99.97% of the convertible preference shares issued.

Australia − 2G (Closed)

HTAL has a license to utilize 10 MHz of paired spectrum in the 800 MHz band, expiring in June 2013, for the license areas of Sydney and Melbourne. In June 2000, HTAL launched a 2G CDMA mobile telecommunications network to service the Sydney and Melbourne license areas. Network coverage was supplemented by an agreement with Telstra Corporation Limited ("Telstra") for domestic roaming on the Telstra national CDMA network. As mentioned above, the CDMA network was closed in August 2006 after migrating 287,000 customers from the CDMA network to its 3G network. HTAL recorded a non-recurring charge of A$307.9 million in its consolidated profit and loss account for the year ended December 31, 2006 to account for the closure costs and the costs to migrate customers to 3G network.

Australia − 3G

In May 2001, HTAL formed a joint venture company, Hutchison 3G Australia Holdings Pty Limited ("H3GAH") with TCNZ to fund and develop the 3G business. TCNZ held a 19.9% interest and HTAL held a 80.1% interest in H3GAH at its inception (see below for current ownership interest). H3GAH's wholly-owned subsidiary, Hutchison 3G Australia Pty Ltd ("H3GA"), has licenses to utilize 1800 MHz spectrum, expiring in May 2015, and 2100 MHz spectrum, expiring in October 2017, for the license areas of Sydney, Melbourne, Brisbane, Adelaide and Perth. H3GA commenced offering 3G services to customers in Sydney and Melbourne in April 2003 and in Adelaide, Brisbane and Perth in July 2003. In February 2009, HTAL announced that the active customer base grew 29% in 2008 to total over 2.0 million at December 31, 2008 and reached over 2.1 million at March 25, 2009. Total revenue was A$1,623 million in 2008, 23% better than last year and net loss was A$163 million, a 43% improvement from 2007. HTAL reached another major milestone, exiting 2008 with a positive fourth quarter EBIT, mainly due to an enlarged customer base, strong gross margins and continued strong cost controls. H3GA has upgraded its network to enable HSDPA.

In December 2004, H3GA signed agreements with Telstra for the sharing of its 3G W-CDMA radio access network. Under the agreement, Telstra and H3GA agreed to jointly own and operate the existing 3G radio access network and fund future network development. The agreement also allows both parties to share their 3G spectrum. In return for a 50% beneficial interest in the radio access network, Telstra paid H3GA A$447 million. In December 2004, H3GA announced that it would change its existing 2G and 2.5G roaming services partner to Telstra realizing both cost savings and improved network coverage.

On October 12, 2007, Hutchison, HTAL, TCNZ and certain TCNZ subsidiaries entered into a placing and subscription agreement pursuant to which TCNZ agreed to swap its 19.94% interest in H3GAH for 10% of HTAL's ordinary shares and convertible preference shares in issue. As a result of the placing and subscription, which completed on October 19, 2007, HTAL's interest in H3GAH was increased from 80.1% to 100% and Hutchison's interest in HTAL was reduced to 52.03%.

On October 12, 2007, HTAL also entered into an option agreement with TCNZ pursuant to which HTAL granted to TCNZ, effective from October 19, 2007, the right to subscribe for further ordinary shares and convertible preference shares to increase TCNZ's interest in HTAL from 10.0% to 19.94% of the ordinary shares and convertible shares of HTAL's current issued share capital as enlarged by the issue of additional securities upon any exercise of the option. As consideration for the grant of the option, the TCNZ group transferred to HTAL an additional 800MHz spectrum in the capital cities of Adelaide, Brisbane, Darwin, Hobart and Perth and regional areas, which complements HTAL's existing 800MHz spectrum in Melbourne and Sydney. The option lapsed on December 31, 2008.

On August 19, 2008, HTAL announced that during the first half of 2009 it would be providing its customers access to 3G services in an area covering 96% of the population up from 56% at June 30, 2008. This includes additional network build in areas with the highest levels of roaming. HTAL has also put in place an arrangement for 3G roaming on parts of Telstra's 850 MHz network. This will be supplemented by the existing roaming on Telstra's 2G network with reduced wholesale roaming costs from September 2008.

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

New Zealand − 3G Option Terminated

As part of the formation of the joint venture company by H3GA with TCNZ described above, Hutchison had an option to acquire a 19.9% interest in a 3G venture in New Zealand, if TCNZ so chose to develop such a business. This option was terminated by mutual agreement in June 2006.

Scandinavia

Hutchison has a 60% interest in Hi3G Access, which owns and operates 3G mobile telecommunications networks in Scandinavia. Hutchison's partner in this venture is Investor AB (publ), which has a 40% interest. Investor AB is the largest diversified industrial holding company in Sweden.

The 3G businesses in Scandinavia comprise businesses in Sweden and Denmark, and Norway (which is in planning). Hutchison has invested in these businesses through Hi3G Access, which also provides central management and financial control. The management of Hi3G Access believes that significant cost savings and synergies can be achieved with a combined Scandinavian network rollout and with combined operations, to the extent permitted by local regulatory requirements. The combined customer base for the operations in Sweden and Denmark grew 37% in 2008 to total over 1.23 million at December 31, 2008 and over 1.29 million at March 25, 2009. Revenue for 2008 of over SEK4,562 million was 17% above last year. LBIT of the combined operations reduced by 29% as compared to last year. LBIT reduced mainly due to improved gross margins and strong cost controls.

Hi3G Access has completed the upgrade of its home networks in both Sweden and Denmark to HSDPA with the vast majority of the network enabled with downlink speeds up to 7.2 Mbps. Hi3G Access has also completed the upgrade of its home networks to provide HSUPA capability with uplink speeds of 1.4 Mbps. Hi3G Access initially launched commercial 3.6 Mbps HSDPA services in Stockholm in November 2006. Since then high speed mobile broadband products have been launched throughout the networks and customer response to these products has been positive.

In June 2005, Hi3G Access signed a term loan facility of SEK10,500 million with a maturity of five years. The facility was utilized by the Swedish and Danish operations to partly repay current outstanding shareholders' loans. The facility is currently guaranteed by Hi3G Access' shareholders, Hutchison and Investor AB. However, these guarantees may be partially or fully withdrawn during the term of the loan facility subject to certain financial metrics being met by Hi3G Access and the consent of the shareholders and the lenders under the loan facility.

Sweden

Hi3G Access has a license to operate a national 3G network in Sweden, which provides for 20 MHz of paired spectrum and 5 MHz of unpaired spectrum until December 31, 2015. The license was awarded after the Swedish government assessment of the merits of the applicants and no license fee is payable by Hi3G Access. In May 2008, Hi3G Access purchased a license from the National Post and Telecommunications Agency (the "PTS") for a further two blocks of 2.5 MHz spectrum for the 3G Band extension.

As a means of reducing network rollout costs, Hi3G Access with Orange SA and Telenor Sverige AB ("Telenor", formerly known as Vodafone Sverige AB, which was acquired by Telenor Group in January 2006) formed an equally-owned joint venture company, 3G Infrastructure Services AB ("3GIS"), for the construction and operation of UMTS infrastructure with planned coverage of up to 70% of the Swedish population. During 2004, the withdrawal of Orange SA from the 3GIS network joint venture was finalized. Orange SA fulfilled its guaranteed funding obligations to the joint venture and the current ownership interest in the joint venture is equally held by Hi3G Access and Telenor.

Under the terms of the license, Hi3G Access was required to achieve population coverage of 8,860,000 (approximately 100%) by December 31, 2003, but has been hindered in meeting this requirement by a number of unforeseen circumstances outside its control, including lack of building permits. In June 2006, the PTS relaxed the license requirements for signal strength which will permit construction of a less dense network in rural areas and in low rise urban areas. In August 2006, the PTS notified Hi3G Access (and other 3G license holders) that it had until June 1, 2007 to demonstrate that this remaining license requirement has been achieved. Hi3G Access notified PTS in June 2007 that it had fulfilled its population coverage license requirement.

In January 2003, an agreement was entered into with Telenor to permit Hi3G Access customers to roam onto the Telenor GSM network in areas of Sweden where Hi3G Access does not have 3G coverage. Hi3G Access commenced offering of full commercial services in Sweden in early 2004 under the **3** brand name.

Denmark

In September 2001, Hi3G Denmark ApS ("Hi3G Denmark"), a wholly-owned subsidiary of Hi3G Access, acquired one of four licenses to operate a national 3G network in Denmark for a fee of approximately 950 million Danish Kroner, of which approximately 736 million Danish Kroner has been paid and approximately 214 million Danish Kroner is payable in annual installments over the next 3 years. The license authorizes Hi3G Denmark to use 15 MHz of paired spectrum and 4 MHz of unpaired spectrum for 20 years. Under the terms of the license, Hi3G Denmark has met the license requirement to rollout and maintain its network so as to provide 80% coverage of the national population by December 31, 2008.

Hi3G Denmark commenced offering full commercial services in early 2004.

Norway

In September 2003, Hi3G Access Norway AS ("Hi3G Norway"), a wholly-owned subsidiary of Hi3G Access AB, was awarded a 12-year license to offer 3G services in Norway for a consideration of 62 million Norwegian Kroner. Under the terms of the license, Hi3G Norway is required to provide at least 30% of the Norwegian population with 3G coverage by September 2009. In March 2009, the Norwegian authorities extended this deadline to March 19, 2012, but with an increased coverage requirement of 40% of the Norwegian population. This business is in planning.

Austria

Hutchison's wholly-owned subsidiary, **3** Austria, is one of four companies licensed to operate a national 3G network in Austria. A license, which expires on December 31, 2020, permits **3** Austria to use 15 MHz of paired radio spectrum (increased from 10 MHz as a result of the acquisition by **3** Austria of an additional 5 MHz spectrum from Tele.ring Telekom Service GmbH (which subsequently merged to become T-Mobile Austria GmbH) ("T-Mobile Austria") in February 2007) and 5 MHz of unpaired radio spectrum for the duration of the license and to build, own and operate a radio communications network to provide 3G mobile communications services using the UMTS/IMT-2000 standard in the entire territory of Austria.

3 Austria has constructed 3G network cell sites with a focus on the major cities including Vienna, Graz, Innsbruck and Linz. **3** Austria has met the license requirement to roll out and maintain its network so as to provide at least 50% population coverage by December 31, 2005. In order to provide nationwide basic voice and data services, a national roaming agreement is in place with incumbent operator, Mobilkom Austria, offering approximately 98% population coverage. The customer base grew 28% in 2008 to total 654,000 at December 31, 2008 and reached 713,000 at March 25, 2009. Revenue in 2008 of €170 million reduced by 5% compared to last year. LBIT, before including non-recurring foreign exchange gains, improved by 24% compared to last year, mainly due to improved gross margin and cost reductions achieved. During 2008, Hutchison refinanced certain non-Euro borrowings with Euro bank loans to create a natural currency hedge against **3** Austria's assets denominated in Euro and recorded a foreign exchange gain of HK$1,294 million (approximately US$166 million).

3 Austria has completed the HSDPA upgrade of its existing network. New wireless broadband access products, taking advantage of the enhanced network's data transmission speeds, have been launched and **3** Austria gained a substantial growth with this new customer segment.

In April 2006, **3** Austria engaged Siemens (subsequently merged into Nokia Siemens Networks) to construct the extension of **3** Austria's 3G network into the rural areas of Austria. During early 2007, **3** Austria, acquired from T-Mobile Austria leases for 1,792 cell sites and civil construction works for a total consideration of €52 million. In September 2007, **3** Austria transferred the civil construction elements of 1,638 of the sites acquired from T-Mobile Austria to Nokia Siemens Networks for a total consideration of €49.1 million. Major parts of the rural rollout have been completed providing population coverage of 91% by the end of 2008. The extended 3G network enables **3** Austria to realize savings in domestic roaming costs and provided an improved basis for the marketing of mobile broadband services in Austria.

Regulation

European Union Regulation

Individual national regulatory authorities ("NRA(s)") regulate **3** Group businesses in the European Union ("EU") under national laws, which implement the EU regulatory framework that came into force on July 25, 2003 ("EU Framework").

The EU Framework comprises several pieces of legislation which provide for, among other things, the way in which telecommunications operators are authorized to operate, the terms for access to, and interconnection between, operators' networks, principles for ensuring the universal availability of a basic set of telecommunications services at affordable prices, the protection of privacy and personal data and the principles and coordination procedures for the development of a coherent EU radio spectrum policy.

The EU Framework is built upon the general concepts of competition law, with the main objectives being:

- to maintain, in the short-term, sector specific obligations in situations where operators are regarded as having significant market power, which concept accords with the concept of "dominance" under existing EU competition laws;

- to use a competition law based approach to sector-specific regulation; and

- to conduct periodic market reviews, with the aim of gradually phasing out sector specific regulation, in favor of generally applicable competition laws.

In order to ensure greater consistency in the implementation and interpretation across the EU, the EU Framework establishes powers for the European Commission ("Commission"), processes for collaboration among the NRAs, and also between the NRAs and the Commission. The NRAs are required to conduct market reviews periodically with respect to markets recommended by the Commission to require ex ante regulation. The NRAs can only impose remedies on operators in identified markets if they have significant market power ("SMP") (although NRAs have powers to determine interconnection disputes whether or not an SMP designation has been made).

The first of the Commission's "Recommendations on relevant markets" was published in February 2003 and included the markets for "voice call termination on individual mobile markets", the "wholesale national market for international roaming" and the market for "access and call origination". The Commission published its second "Recommendation" in November 2007 and removed the wholesale national market for international roaming (which is now the subject of a Regulation, see further below) and the market for mobile access and call origination. The list of relevant markets is, however, a non-exhaustive list, and NRAs have the discretion to examine other markets not identified by the Commission, for example, wholesale SMS termination charges. This may lead to regulation of the wholesale charges that mobile operators, including the **3** Group, set for terminating SMS on their networks.

3 (as well as each of the incumbent operators) has been designated as having SMP in the UK, Ireland, Italy, Denmark and Sweden in the market for voice call termination in these countries and the NRAs have imposed price controls on their respective wholesale mobile termination rates ("MT Rates"). In the UK and Italy, respectively:

- **3** UK appealed an earlier SMP designation decision in 2004 to the Competition Appeals Tribunal ("CAT") who issued a judgment on November 25, 2005, stating that the UK NRA ("OFCOM") had erred in its determination as to SMP. Following further consultation OFCOM issued a decision in March 2007 designating all five mobile network operators in the UK with SMP and imposing price controls on all five operators. The price control imposed on **3** UK reduces its average MT Rate to 5.9 pence per minute by the end of the four year price control period (April 1, 2007 to March 31, 2011), with each of the other operators being controlled down to 5.1 pence per minute. **3** UK appealed this 2007 decision to the CAT in respect of the SMP designation of **3** UK, the price control imposed on **3** UK and the price controls imposed on the other operators. British Telecommunications ("BT") also appealed certain aspects of the price controls imposed on all five mobile network operators. On May 20, 2008 the CAT confirmed OFCOM's SMP designation and that some form of price control of **3** UK was appropriate. **3** UK appealed the CAT's SMP decision to the Court of Appeal, and a decision is expected over the coming months. In accordance with the legislation, issues relating to price control matters were referred for determination to the Competition Commission ("CC"). The CC published its final determination on price control matters in both the **3** UK and BT appeals on January 22, 2009, and this was upheld by the CAT on April 2, 2009. The result being that **3** UK's average MT Rate should be further reduced by the end of the price control period to 4.3 pence per minute, with each of the other operators' prices also incurring a further reduction to 4 pence per minute; and

- the Italian NRA ("AGCOM") designated H3G S.p.A. as having SMP in 2005 but did not impose a price control at that time, although controls were imposed on the other Italian mobile network operators. In December 2007, AGCOM issued a decision under which H3G S.p.A had to reduce its MT Rate of 18.76 eurocents per minute to 16.26 eurocents per minute as from March 1, 2008 until the results of the next market review came into force. On July 29, 2008 AGCOM approved the decision on the reduction in H3G S.p.A's MT Rate to 13 eurocents per minute from November 1, 2008. On November 26, 2008 AGCOM approved a glide path for the further reduction in the MT Rates of all Italian mobile network operators over a period commencing from July 2009 and up to July 2012. The glide path may be modified if different costs can be shown and if capacity in the 900 MHz spectrum band is not made available to each of the mobile network operators by the end of the period. Currently H3G S.p.A. is the only mobile network operator in Italy without spectrum in this band.

On June 26, 2008 the Commission launched a public consultation on a Recommendation to harmonize the way NRAs determine the price controls on MT Rates. The consultation closed on September 10, 2008 and the final Recommendation is expected to be adopted in the first half of 2009. As well as setting out a common methodology for calculating the cost of mobile termination, the draft Recommendation calls for NRAs to reduce MT Rates significantly between now and December 31, 2011 (although this date may be extended). The Recommendation also proposes that all operators in a national market should have the same termination rate within the same timeframe.

In June 2006 the Commission launched a public consultation on possible amendments to the EU Framework and, in November 2007, the Commission formally adopted its draft proposals. The draft proposals include:

- measures to introduce a market-based approach to spectrum management in a consistent manner throughout the EU. In particular, the Commission is proposing a progressive liberalization of spectrum usage rights, to be achieved through the relaxation of constraints with respect to the technology or specific service that may be deployed in a given band. The Commission also proposes a harmonized approach to the introduction of the right to trade individual rights to use frequencies, through a common approach to the selection of spectrum bands for trading and to the definition of spectrum property rights; and

- other changes, including additional consumer protection measures and measures to require operators to ensure the security and integrity of their networks, which may lead to additional costs for mobile operators, including the **3** Group.

The European Parliament and Council are currently examining the Commission's draft proposals under the Co-Decision procedure.

Taking into account this procedure, and the time that will be needed for transposition by Member States into national law, the amendments to the EU Framework are unlikely to take effect before the end of 2010. Spectrum liberalization measures may take place more rapidly at the national level. For instance in the UK, OFCOM is expected to publish a decision later in 2009 on the refarming of the 900 MHz and 1800 MHz spectrum bands. In Italy, AGCOM has published a decision on the refarming of the 900 MHz spectrum band (including the release of 2 x 5MHz in this band to a new entrant or H3G S.p.A.). H3G S.p.A. has appealed this decision.

Separately, there is an EU Regulation that sets price controls on international roaming charges for voice calls, a proposal to amend the GSM Directive and a new Audiovisual Media Services Directive:

- The Commission issued a Regulation on international roaming charges for voice calls which came into force on June 30, 2007. The Regulation imposes upper limits on the wholesale international roaming charges that mobile operators based in the EU can charge other operators based in the EU, and on the retail international roaming charges that EU operators can charge their customers for calls to a number within the EU. The maximum wholesale charge for a voice call from August 30, 2007 was 30 eurocents per minute and fell to 28 eurocents per minute from August 30, 2008. The maximum retail prices are in the form of a 'Eurotariff' that operators are obliged to offer their customers from August 30, 2007. This Eurotariff has maximum prices of 49 eurocents per minute to make a call and 24 eurocents per minute to receive a call. The maximum prices fell to 46 eurocents per minute and 22 eurocents per minute from August 30, 2008. Operators are allowed to offer other retail roaming tariffs but the Eurotariff applies by default and customers must opt out of it to take the other tariffs. The Regulation was due to expire on June 30, 2010 and the Commission presented its formal legislative proposals to revise the roaming Regulation to the European Parliament and Council on September 23, 2008. Under the Commission's proposals, the amended Regulation would extend the duration of the price controls to June 30, 2013 (although it is expected that this period may be shortened). It would further reduce the maximum permitted wholesale and retail prices for voice roaming and would introduce maximum prices for SMS and data roaming. For SMS roaming there would be a maximum permitted wholesale price of 4 eurocents per SMS and a maximum permitted retail price of 11 eurocents per SMS. For data roaming, the maximum permitted wholesale price would be 1 euro per megabyte (although it is expected that this price may be lower). The proposals do not include retail price controls on data roaming. The European Parliament and Council are currently examining the Commission's draft Regulation under the Co-Decision procedure. They are expected to approve the Regulation in June 2009 with the new price controls coming into force from July 1, 2009. The four incumbent mobile operators in the UK (Vodafone, O2, Orange and T-Mobile) have challenged the lawfulness of the domestic instrument designed to implement the Regulation in the UK on the basis that the Regulation is invalid as a matter of EU law. This question has been referred to the European Court of Justice for consideration, and a final decision is expected within about 9 to 12 months. If unlawful, the Regulation will no longer apply. **3** UK has intervened in the domestic proceedings as an interested party in support of the Regulation.

- On November 19, 2008, the Commission published a proposal to amend the GSM Directive, which reserves the 900 MHz spectrum band for GSM technology only. The proposed amendment would require Member States to permit use of the 900 MHz spectrum band for certain services in addition to GSM services, including those using UMTS technology. The liberalization of the 900MHz spectrum band in this manner may lead to the implementation of spectrum refarming measures at the national level, although such measures may take place more rapidly at the national level (such as in the UK and Italy). The proposal is currently being considered by the European Parliament and Council. The amended Directive is likely to be adopted in June/July 2009.

- In December 2007 the Council and Parliament approved the Audio Visual Media Services Directive, previously known as the "Television Without Frontiers Directive", and it is to be transposed into national law by Member States by December 2009. The new Directive modernizes the rules governing the provision of audiovisual media services, expanding the scope of the rules beyond traditional TV broadcasting to cover all platforms (including video on demand, mobile TV, audiovisual services on digital TV) delivering "audiovisual media services".

Environmental Matters

Hutchison's operations are subject to various environmental laws. Compliance with such laws has not had, and in Hutchison's opinion, is not expected to have, a material adverse effect upon Hutchison's capital expenditure, earnings or competitive position.

Legal Proceedings

Hutchison is not engaged in any material litigation or arbitration proceeding, and no material litigation or claim is known by Hutchison to be pending or threatened against it.

Insurance

Hutchison believes that its properties are covered by adequate property insurance by reputable companies and with commercially reasonable deductibles and limits, covering fire, earthquake, loss of rental and third party liabilities.

Employees

The following table shows the divisional allocation of employees as of December 31, 2006, 2007 and 2008.

Number of Employees

	As of December 31,		
	2006	2007	2008
Ports and related services	31,287	32,433	34,677
Property and hotels	12,793	13,429	13,852
Retail	102,470	107,606	113,019
Cheung Kong Infrastructure	10,279	9,896	10,062
Husky Energy	4,008	4,185	4,941
Finance & investments	406	420	487
Hutchison Telecommunications International	14,563	9,382	9,945
Others	38,483	34,359	17,759
Established businesses	214,289	211,710	204,742
3 Group	14,849	16,950	18,749
	229,138	228,660	223,491

HONG KONG

Until July 1, 1997, Hong Kong was a colony of the UK. On July 1, 1997, sovereignty over Hong Kong reverted from the UK to the Mainland, and Hong Kong became a Special Administrative Region of the PRC. The agreement between the British and Chinese governments regarding this transfer is embodied in the Joint Declaration, which was signed on December 19, 1984 and subsequently ratified by both governments. Acting pursuant to the Joint Declaration, in April 1990 PRC's National People's Congress (the "NPC") adopted the Basic Law, which is the basic constitutional document of Hong Kong. Under the Basic Law, Hong Kong is to have its own legislature, legal and judicial system and full economic autonomy for 50 years. Defense and foreign affairs are the responsibility of the central government in Beijing, although Hong Kong will still be able to participate in international organizations and agreements, where deemed appropriate. The Basic Law provides that the Hong Kong dollar will remain the legal tender currency in Hong Kong and is to remain freely convertible, and that no exchange controls will be applied. Existing freedoms, including the rights of free speech and assembly, a free press, freedom of religion, and to strike and to travel, are ensured by law, and business ownership, private property, the right of inheritance and foreign investment are to be legally protected.

Under the Basic Law, the laws in force in Hong Kong prior to June 30, 1997 remain in force, except for any that contravene the Basic Law, and are subject to amendment by Hong Kong's legislature. The power of interpretation of the Basic Law is vested in the Standing Committee of the NPC, although the courts of Hong Kong may interpret the Basic Law in adjudicating cases before them, subject to certain limitations. The power of amendment of the Basic Law is vested in the NPC. The Basic Law provides that the Chief Executive of Hong Kong shall be recommended by a committee composed of Hong Kong residents representing a broad spectrum of distinct constituencies, such as industry, labor, and various professions, and appointed by the central government of the PRC.

MANAGEMENT OF HUTCHISON

The Directors of Hutchison are set forth below.

Name	Age	Position
LI Ka-shing	80	Chairman and Executive Director
LI Tzar Kuoi, Victor	44	Deputy Chairman and Executive Director
FOK Kin-ning, Canning	57	Group Managing Director and Executive Director
CHOW WOO Mo Fong, Susan	55	Deputy Group Managing Director and Executive Director
Frank John SIXT	57	Group Finance Director and Executive Director
LAI Kai Ming, Dominic	55	Executive Director
KAM Hing Lam	62	Executive Director
The Hon Sir Michael David KADOORIE	67	Independent Non-executive Director
Holger KLUGE	67	Independent Non-executive Director
George Colin MAGNUS	73	Non-executive Director
William Elkin MOCATTA	56	Alternate Director to The Hon Sir Michael David Kadoorie
OR Ching Fai, Raymond	59	Independent Non-executive Director
William SHURNIAK	77	Non-executive Director
WONG Chung Hin	75	Independent Non-executive Director

The business address of the Directors of Hutchison for the purposes of their directorships of Hutchison is 22nd Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The Board of Directors of Hutchison consists of fourteen members (including Alternate Director) of which 5 are Independent Non-executive Directors (including Alternate Director) and two are Non-executive Directors. Set forth below is selected biographical information for each of the Directors:

Li Ka-shing, KBE, GBM, JP, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Léopold, Commandeur de la Légion d'Honneur, aged 80, has been Executive Director and the Chairman of Hutchison since 1979 and 1981 respectively. He is also the Chairman of the Remuneration Committee of Hutchison. He is the founder and chairman of Cheung Kong (Holdings) Limited ("Cheung Kong"), a substantial shareholder of Hutchison within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong) (the "SFO"), and has been engaged in many major commercial developments in Hong Kong for more than 50 years. Mr. Li served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also an Honorary Citizen of a number of cities in the Mainland and overseas. Mr. Li is a keen supporter of community service organizations, and has served as honorary chairman of many such groups over the years. Mr. Li has received Honorary Doctorates from Peking University, The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong, The Open University of Hong Kong, University of Calgary in Canada and Cambridge University in the UK. Mr. Li Ka-shing is the father of Mr. Li Tzar Kuoi, Victor, Deputy Chairman of Hutchison and the brother-in-law of Mr. Kam Hing Lam, Executive Director of Hutchison.

Li Tzar Kuoi, Victor, aged 44, has been Executive Director and Deputy Chairman of Hutchison since 1995 and 1999 respectively. He is deputy chairman and managing director of Cheung Kong, chairman of Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), executive director of Hongkong Electric Holdings Limited ("Hongkong Electric"), co-chairman of Husky Energy Inc. ("Husky Energy") and director of The Hongkong and Shanghai Banking Corporation Limited. In addition, he is director of Continental Realty Limited ("CRL"), Honourable Holdings Limited ("HHL"), Winbo Power Limited ("WPL"), Polycourt Limited ("PL") and Well Karin Limited ("WKL"). CRL is a substantial shareholder of Hutchison within the meaning of Part XV of the SFO and HHL, WPL, PL and WKL are companies which have interests in the shares of Hutchison which would fall to be disclosed to Hutchison under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Li serves as a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the PRC. He is also a member of the Commission on Strategic Development, the Greater Pearl River Delta Business Council and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and vice chairman of the Hong Kong General Chamber of Commerce. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr. Li Tzar Kuoi, Victor is a son of Mr. Li Ka-shing, Chairman of Hutchison and nephew of Mr. Kam Hing Lam, Executive Director of Hutchison.

Fok Kin-ning, Canning, aged 57, has been Executive Director and Group Managing Director of Hutchison since 1984 and 1993 respectively. He is chairman of Hutchison Harbour Ring Limited ("Hutchison Harbour Ring"), Hutchison Telecommunications International Limited ("Hutchison Telecommunications International"), Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia"), Hongkong Electric and Partner Communications Company Ltd. ("Partner Communications") and co-chairman of Husky Energy. He is also deputy chairman of Cheung Kong Infrastructure and non-executive director of Cheung Kong. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of the Australian Institute of Chartered Accountants.

Chow Woo Mo Fong, Susan, aged 55, has been Executive Director and Deputy Group Managing Director of Hutchison since 1993 and 1998 respectively. She is also executive director of Cheung Kong Infrastructure, Hutchison Harbour Ring and Hongkong Electric, non-executive director of Hutchison Telecommunications International and TOM Group Limited ("TOM Group") and director of Hutchison Telecommunications Australia and Partner Communications. She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John Sixt, aged 57, has been Executive Director and Group Finance Director of Hutchison since 1991 and 1998 respectively. He is non-executive chairman of TOM Group. He is also executive director of Cheung Kong Infrastructure and Hongkong Electric, non-executive director of Cheung Kong and Hutchison Telecommunications International, and director of Hutchison Telecommunications Australia, Husky Energy and Partner Communications. In addition, he is director of Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, all being substantial shareholders of Hutchison within the meaning of Part XV of the SFO. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Lai Kai Ming, Dominic, aged 55, has been Executive Director of Hutchison since 2000. He is also deputy chairman of Hutchison Harbour Ring and director of Hutchison Telecommunications Australia. He has over 25 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Kam Hing Lam, aged 62, has been Executive Director of Hutchison since 1993. He is deputy managing director of Cheung Kong, group managing director of Cheung Kong Infrastructure and president and chief executive officer of CK Life Sciences. He is also executive director of Hongkong Electric and non-executive director of Spark Infrastructure Group. Mr. Kam is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the PRC. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is the brother-in-law of Mr. Li Ka-shing, Chairman of Hutchison and an uncle of Mr. Li Tzar Kuoi, Victor, Deputy Chairman of Hutchison.

The Hon Sir Michael David Kadoorie, GBS, Officier de la Légion d'Honneur, Commandeur de l'Ordre de Léopold II, Commandeur de l'Ordre des Arts et des Lettres, aged 67, has been a Director of Hutchison since 1995 and is currently an Independent Non-executive Director. He is chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited. He is also an alternate director of Hong Kong Aircraft Engineering Company Limited.

Holger Kluge, aged 67, has been an Independent Non-executive Director of Hutchison since 2004. He is also a member of the Audit Committee and the Remuneration Committee of Hutchison. He worked 40 years for Canadian Imperial Bank of Commerce ("CIBC"), one of North America's largest financial institutions. From 1990 until his retirement in 1999, he was president and chief executive officer of CIBC's Personal and Commercial Bank. He is an independent non-executive director of Hongkong Electric and a director of Husky Energy and Shoppers Drug Mart Corporation. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

George Colin Magnus, OBE, BBS, aged 73, has been a Director of Hutchison since 1980. He served as Deputy Chairman of Hutchison from 1984 to 1993, and is currently a Non-executive Director. He is also a non-executive director of Cheung Kong, Cheung Kong Infrastructure and Hongkong Electric. He holds a Master's degree in Economics.

William Elkin Mocatta, aged 56, has been Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director, since 1997. He is chairman of CLP Power Hong Kong Limited and CLP Properties Limited. He is also the vice chairman of CLP Holdings Limited and director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

Or Ching Fai, Raymond, JP, aged 59, has been a Director of Hutchison since 2000 and is currently an Independent Non-executive Director. He is vice chairman and chief executive of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and 2009 East Asian Games (Hong Kong) Limited and an independent non-executive director of Cathy Pacific Airways Limited and Esprit Holdings Limited. He was also chairman of the Hong Kong Association of Banks in 2000 and 2003.

William Shurniak, aged 77, has been a Director of Hutchison since 1984 and is currently a Non-executive Director. He is also a member of the Audit Committee of Hutchison. He is director and chairman of Northern Gas Networks Limited as well as director and deputy chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan and The University of Western Ontario in Canada.

Wong Chung Hin, CBE, JP, aged 75, has been a Director of Hutchison since 1984 and is currently an Independent Non-executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of Hutchison. In addition, he is an independent non-executive director of The Bank of East Asia, Limited and Hongkong Electric. He is a solicitor.

HUTCHISON'S CONNECTED TRANSACTIONS

Hutchison Whampoa Limited ("Hutchison") enters into transactions from time to time with Cheung Kong (Holdings) Limited ("Cheung Kong") and other connected persons (as defined in The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules")). Hutchison's practice is to ensure that all such transactions are in compliance with the Listing Rules. The following is a brief description of Hutchison's connected transactions disclosed and published on the websites of Hong Kong Exchanges and Clearing Limited and Hutchison respectively for the year ended December 31, 2008:

(1) Subsidiaries of Hutchison (the "HWL Group") provided financial assistance to associates of Cheung Kong, a "substantial shareholder" of Hutchison, which constituted "connected transactions" for Hutchison within the meanings of the Listing Rules. All contribution to the registered capital of, and any shareholders' loans to, the associates which took the form of joint ventures between the HWL Group and subsidiaries of Cheung Kong (the "CKH Group") are expected to be made by the HWL Group and CKH Group in proportion to their respective equity interests in such joint ventures:

Date	Connected Persons/Joint Ventures receiving the Financial Assistance by the HWL Group	Description of Financial Assistance
February 19, 2008	Joint Group Enterprises Limited ("JGEL"), a company indirectly owned as to 50% by each of Hutchison and Cheung Kong, and its wholly foreign owned enterprise, Hutchison Whampoa Properties (Changzhou) Limited ("Changzhou JV").	Financial assistance was or would be provided to JGEL to fund the costs of land, construction and development into commercial and residential properties of a piece of land of approximately 867,560 square feet located at east of Hongmei Park and north of Wuqing Road, Changzhou, the PRC and acquired at a total consideration of approximately RMB1,200 million by Changzhou JV. The proposed total investment and registered capital of Changzhou JV was RMB1,486 million and RMB1,297 million respectively.
March 28, 2008	Billion Rise Limited ("BRL"), a company indirectly owned as to 50% by each of Hutchison and Cheung Kong and/or a company which may be established (the "Project Co") and indirectly owned as to 50% by each of Hutchison and Cheung Kong.	Financial assistance was or would be provided to BRL and/or the Project Co to fund the acquisition of the lease and development into residential properties of the parcel of land located at West Coast Crescent in Singapore with a site area of approximately 129,171 square feet and to be acquired by BRL or Project Co at a total consideration of S$110,440,000 (approximately HK$623 million).

(2) Pursuant to a marketing agreement dated August 14, 1996 (the "Thai Marketing Agreement") and made between Hutchison CAT Wireless MultiMedia Limited ("Hutchison CAT", a company consolidated into the financial statements of Hutchison Telecommunications International Limited ("HTIL") and its subsidiaries (the "HTIL Group") as subsidiary) and CAT Telecom Public Company Limited ("CAT"), Hutchison CAT has continued to market the CDMA2000 1X network services of CAT under the Hutch brand name in 25 provinces located in central Thailand and provide after-sales services and other supplementary services relating to such sales and marketing activities on an exclusive basis, in return for a percentage of the access fees, monthly services fees and sign-on fees paid by the subscribers.

The transactions contemplated under the Thai Marketing Agreement constituted continuing connected transactions ("Continuing Connected Transactions") for Hutchison under the Listing Rules during the year ended December 31, 2008 as HTIL became a subsidiary of Hutchison and by virtue of CAT being a substantial shareholder holding approximately 26% interest of and in Hutchison CAT.

The aggregate amounts for the year ended December 31, 2008 attributable to the Continuing Connected Transactions subject to annual review requirements under the Listing Rules was HK$889 million in respect of the revenue to the HTIL Group.

The following is a brief description of Hutchison's connected transactions disclosed since January 1, 2009 to the date hereof:

On April 6, 2009, Hutchison and HTIL jointly announced that on April 3, 2009 one of HTIL's wholly-owned subsidiaries had entered into a conditional loan agreement to advance to Lucky Wealth Success Ltd. (guaranteed by PT Asia Mobile) US$55 million (approximately HK$426.3 million) and another conditional agreement to acquire the benefits of certain shareholder loans of approximately US$91.4 million (approximately HK$712.9 million) in aggregate principal amount advanced by PT Asia Mobile to PT. Hutchison CP Telecommunications ("HCPT"), an indirect 65%-owned subsidiary of HTIL at a consideration of US$1 (approximately HK$7.8). PT Asia Mobile also agreed for a consideration of US$1.00 to grant to a wholly-owned subsidiary of HTIL, a call option to purchase and to require PT Asia Mobile to sell its shares in HCPT exercisable during a twenty-year period subject to compliance with all requisite approvals, registrations and/or notifications required for effecting any transfer of option shares on any exercise of such share option.

The transactions constitute connected transactions for Hutchison and connected and discloseable transactions for HTIL which are subject to the announcement, and in the case of HTIL, reporting and independent shareholders approval requirements under the Listing Rules by virtue of HTIL being a subsidiary of Hutchison, PT Asia Mobile being a substantial shareholder holding 35% equity interest in HCPT and Lucky Wealth Success Ltd. being an associate of PT Asia Mobile.

DESCRIPTION OF THE NOTES AND THE GUARANTEE

The notes are to be issued under a fiscal agency agreement (the "Fiscal Agency Agreement"), to be executed among the Issuer, the Guarantor and The Bank of New York Mellon, as fiscal and paying agent, transfer agent, information agent and registrar (the "Fiscal Agent"). Copies of the Fiscal Agency Agreement and the notes are available for inspection free of charge during normal business hours at the offices of the Fiscal Agent. The following summaries of certain provisions of the notes and the Fiscal Agency Agreement do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions thereof, including the definitions therein of certain terms. Whenever particular defined terms from the notes or the Fiscal Agency Agreement are referred to, the definitions of such terms are incorporated herein by reference.

General

The notes will be issued in an aggregate principal amount of US$1,500,000,000. The notes will bear interest at the rate per annum shown on the front cover of this offering memorandum from and including April 9, 2009 or from and including the most recent interest payment date to which interest has been paid or provided for, to and excluding the next interest payment date or the maturity date payable semi-annually in arrears on April 9 and October 9 of each year, commencing October 9, 2009, and at maturity, being April 9, 2019 to the person in whose name the note (or any predecessor note) is registered at the close of business on the preceding March 25 or September 24, as the case may be. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the global notes will be made to the registered holder thereof in immediately available funds. Payments of principal of, and interest on, any individual notes that are subsequently issued in certificated form, as set forth below, will be made by check drawn on a bank in The City of New York or, in the case of any holder of more than US$1,000,000 in principal amount of individual certificated notes, upon timely application, by electronic transfer of immediately available funds to an account of such holder at a bank in The City of New York. Payments of the principal amount of such note at maturity or the principal amount to be prepaid upon redemption in full, together with accrued interest due at maturity or redemption, as the case may be, will be made to the registered holder thereof against presentation and surrender of such note at the specified office of the paying agent. Provided that in the event that a Singapore paying agent is required by the Listing Manual of the SGX-ST, and for so long as the notes are listed on the SGX-ST, such payments of principal and payments of interest may be made by such Singapore paying agent. Any payments of principal of and interest on the notes to be made on a date that is not a Business Day may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. "Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in The City of New York, Hong Kong or Singapore.

The transfer of the notes will be registrable, and the notes will be exchangeable at the Corporate Trust Office (as defined in the Fiscal Agency Agreement) in The City of New York, which initially will be the office of the Fiscal Agent. In the case of the transfer of less than all of the principal amount of any individual notes, a new individual note will be delivered by the transfer agent to the transferor in respect of the untransferred portion.

Ranking

The notes will constitute direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligations of the Issuer ranking (subject as aforesaid) *pari passu*, without any preference or priority of payment among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights.

Guarantee

The Guarantor will fully and unconditionally guarantee to each holder of a note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and interest on such note (and any Additional Amounts (as hereinafter defined) payable in respect thereof), when and as the same shall become due and payable, whether at the stated maturity date of the note, by declaration of acceleration, call for redemption, or otherwise, in accordance with the terms of such note and of the Fiscal Agency Agreement. The guarantee will constitute a direct, unconditional, unsecured (subject to the lien covenant on the reverse of the notes) and unsubordinated obligation of the Guarantor and will (subject as aforesaid) rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights.

Notes: Delivery and Form

The statements set forth herein include summaries of certain rules and operating procedures of DTC, Euroclear and Clearstream which will affect transfers of interests in the global notes.

The notes sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S global notes, fully registered without interest coupons, which will be deposited with The Bank of New York Mellon (in such capacity, the "Custodian") for DTC and registered in the name of Cede & Co., as nominee of DTC for credit to the respective accounts of the purchasers, or to other accounts as they may direct, at Euroclear or Clearstream, each of which is a participant in DTC.

The notes sold to qualified institutional buyers in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A global notes, fully registered without interest coupons, which will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The notes will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 above that amount. The original issue date will be on or about April 9, 2009.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and will bear a legend regarding such restrictions as set forth under "Transfer Restrictions". Under certain circumstances, transfers may be made only upon receipt by the Fiscal Agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement).

Prior to the 40th day after the later of the commencement of the offering and 10:00 p.m., Hong Kong time, on or about April 9, 2009 (the "Time of Delivery"), a beneficial interest in a Regulation S global note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A global note only if the transferor, and any person acting on its behalf, reasonably believes that the transferee is a qualified institutional buyer, and upon receipt by the transfer agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement) (a) from the transferee to the effect that such transferee (i) is a qualified institutional buyer purchasing for its own account (or for the account of one or more qualified institutional buyers over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under "Transfer Restrictions", and (b) from the transferor to the effect that the transfer was made in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the 40th day after the later of the commencement of the offering and the Time of Delivery, the certifications contemplated by clause (a) (i) and clause (b) of the preceding sentence shall no longer be required, but the transferee will still be required to certify as provided by clause (a) (ii) of such sentence.

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the Fiscal Agent of written certifications (in the form(s) provided in the Fiscal Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (if available).

Any individual notes issued in exchange for an interest in a Rule 144A global note under the circumstances described under "Individual Notes" below may be transferred only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form(s) provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with the restrictions on transfer set forth under "Transfer Restrictions", and in the case of any resale other than a "Safe Harbor Resale" as defined under "Transfer Restrictions", the execution and delivery by the transferee of a written certification (also in the form attached to the Fiscal Agency Agreement) and any additional documents or other evidence (including, but not limited to, an opinion of counsel) that the Issuer or the Fiscal Agent may, in its sole discretion, deem necessary or appropriate to evidence compliance with such transfer restrictions.

Any beneficial interest in one of the global notes that is transferred to an entity who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Investors may hold their interests in the global notes directly through DTC, Clearstream or Euroclear, as the case may be, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream and Euroclear will hold interests in the notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are participants in DTC.

Transfers between participants in DTC (the "Participants") will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Clearstream and Euroclear ("Clearstream Participants" and "Euroclear Participants", respectively) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Initial settlement for the notes will be made in same-day funds. So long as DTC continues to act as depositary for the notes, the notes will trade in DTC's Same-Day Funds Settlement System.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between DTC, on the one hand, and Clearstream or Euroclear Participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be.

Persons who are not Participants may beneficially own interests in the global notes held by DTC only through Participants or Indirect Participants (as defined below) (including Euroclear and Clearstream). So long as Cede & Co., as the nominee of DTC, is the registered owner of the global notes, Cede & Co. for all purposes will be considered the sole holder of such notes.

Payment of interest and principal on the global notes will be made to Cede & Co., the nominee for DTC, or such other nominee as may be requested by an authorized representative of DTC, as the registered owner of the global notes in immediately available funds. None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

Payments of interest on and principal of the notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as the case may be, in accordance with the relevant system's rules and procedures. Payments by Participants to owners of beneficial interests in the global notes held through such Participants will be the responsibility of such Participants, as is the case with securities held, for the accounts of customers in bearer form or registered in "street name".

So long as the notes are represented by global notes and such global notes are held on behalf of DTC or any other clearing system, such clearing system or its nominee will be considered the sole holder of the notes represented by the applicable global notes for all purposes under the Fiscal Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and neither the Fiscal Agent, the Issuer nor the Guarantor shall be affected by any notice to the contrary. None of the Fiscal Agent, the Issuer nor the Guarantor shall have any responsibility or obligation with respect to the accuracy of any records maintained by any clearing system or any Participant of such clearing system. The clearing systems will take actions on behalf of their Participants (and any such Participants will take actions on behalf of any Indirect Participants) in accordance with their standard procedures. To the extent that any clearing system acts upon the direction of the holders of the beneficial interests in the applicable global note and such beneficial holders give conflicting instructions, the applicable clearing system may take conflicting actions in accordance with such instructions.

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of their respective systems.

None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility for the performance by DTC, Clearstream and Euroclear, or their respective Participants or Indirect Participants, of their respective obligations under the rules and procedures governing their operations.

Individual Notes

If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Issuer within 90 days or if there shall have occurred and be continuing an event of default (as described below) with respect to the notes and the Fiscal Agent has received a request from the holders of more than 25% in aggregate principal amount of the Outstanding Notes to issue notes in certificated form, the Issuer will issue individual notes in certificated, fully registered form in exchange for the global notes.

Subject to the transfer restrictions set forth on the individual notes in certificated form, the holder of such individual notes in certificated form may transfer or exchange such notes by surrendering them at the Corporate Trust Office. Prior to any proposed transfer of individual notes in certificated form (other than pursuant to an effective registration statement), the holder may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation to the transfer agent as described under "Notes: Delivery and Form" above. Upon the transfer, exchange or replacement of individual notes in certificated form not bearing the legend referred to under "Transfer Restrictions", the transfer agent will deliver individual notes in certificated form that do not bear the legend. Upon the transfer, exchange or replacement of individual notes in certificated form bearing the legend, or upon specific request for removal of the legend on an individual note in certificated form, the transfer agent will deliver only individual notes in certificated form that bear such legend or shall refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Redemption

Unless earlier redeemed in the limited circumstances set forth below, the notes will mature on April 9, 2019 at a price equal to 100% of the principal amount thereof. The notes may be redeemed at the option of the Issuer or the Guarantor, at any time in whole but not in part, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws of the Cayman Islands, Hong Kong or the PRC (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Cayman Islands, Hong Kong or the PRC or such political subdivision or taxing authority is a party, which change, amendment or treaty becomes effective on or after April 6, 2009, the Issuer or the Guarantor is or would be required on the next succeeding due date for a payment with respect to the notes to pay Additional Amounts with respect to the relevant notes as described below under "— Additional Amounts", and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be. Prior to any redemption of the relevant notes, the Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent a certificate stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred. In the case of redemption, a notice will be published (as provided under the subheading "— Notices"). The notes are not otherwise subject to redemption at the option of the Issuer or the Guarantor.

Additional Amounts

All payments of principal and interest in respect of the notes, and all payments pursuant to the guarantee, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, Hong Kong or the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as applicable, shall pay such additional amounts ("Additional Amounts") as will result in receipt by the holders of the notes of such amounts as would have been payable to the holders had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

(a) in respect of any tax or other governmental charge that would not have been imposed but for a connection between the holder or beneficial owner of a note and the Cayman Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein, as the case may be, otherwise than merely holding such note or guarantee or receiving principal or interest in respect thereof, or

(b) in respect of any note or guarantee presented for payment more than 30 days after the relevant date, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period. For this purpose, the "relevant date" in relation to any note or guarantee means (i) the due date for payment thereof and (ii) if the full amount payable on such due date has not been received in The City of New York by the Fiscal Agent on or prior to such due date, the first date on which such full amount has been so received and notice to that effect has been given to the holders of the notes; or

(c) To a holder or to a third party on behalf of a person who would have been able to avoid such withholding or deduction by duly presenting the note to another paying agent.

Unless the context otherwise requires, any reference in the notes to principal and/or interest shall be deemed to include any Additional Amounts which may be payable as described above.

Certain Covenants

Lien Covenant

The Issuer will not create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Issuer (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the notes will be secured at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the notes as provided in the Fiscal Agency Agreement and such notes.

The Guarantor will not, and will not permit any of its Principal Subsidiaries (other than Listed Principal Subsidiaries) to create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Guarantor or such Principal Subsidiary (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the guarantee will be secured either at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the notes as provided in the Fiscal Agency Agreement, for so long as such Indebtedness for Borrowed Money will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness for Borrowed Money (excluding that of Listed Principal Subsidiaries and their respective Subsidiaries) entered into after the Time of Delivery (as defined in "— Notes: Delivery and Form") would not exceed 50% of the Guarantor's Adjusted Consolidated Net Worth.

If there occurs a breach of the foregoing restriction and that breach would not have occurred but for a change in the accounting standards applicable to the audited consolidated accounts of Guarantor as of December 31, 2008 and for the financial year ended December 31, 2008 that affects the calculation of the Guarantor's Adjusted Consolidated Net Worth, such breach shall be deemed not to have occurred provided that a written opinion from the auditors of the Guarantor is delivered to the Fiscal Agent opining on a calculation of the Guarantor's Adjusted Consolidated Net Worth as if there had been no change in accounting standards showing that a breach of the foregoing restriction would not have occurred but for the relevant change in accounting standards. Such opinion shall be conclusive and binding on all holders of the notes.

The foregoing restriction will not apply to:

(a) Liens existing on or prior to the Time of Delivery;

(b) Liens for taxes or assessments or other applicable governmental charges or levies;

(c) Liens created or arising by operation of law or created in the ordinary course of business, including, but not limited to, landlords' liens and statutory liens of carriers, warehousemen, mechanics, materialmen, vendors and other liens securing amounts which are not more than 60 days overdue or which are being contested in good faith;

(d) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations;

(e) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of the Guarantor and such Principal Subsidiaries;

(f) Liens created on any property or assets acquired, leased or developed after the Time of Delivery; *provided, however*, that (i) any such Lien shall be confined to the property or assets acquired, leased or developed; (ii) the principal amount of the debt encumbered by such Lien shall not exceed the cost of the acquisition or development of such property or assets or any improvements thereto or thereon and (iii) any such Lien shall be created concurrently with or within three years following the acquisition, lease or development of such property or assets;

(g) rights of setoff of a financial institution with respect to deposits or other accounts of the Guarantor or such Principal Subsidiary held by such financial institution in an amount not to exceed the aggregate amount owed to such financial institution by the Guarantor or such Principal Subsidiary, as the case may be;

(h) Liens on documents and the goods they represent in connection with letters of credit and similar transactions entered into in the ordinary course of business;

(i) Liens arising in connection with industrial revenue, development or similar bonds or other means of project financing (not to exceed the value of the project financed and limited to the project financed);

(j) Liens in favor of the Guarantor or any Principal Subsidiary;

(k) leases, subleases, licenses and sublicenses granted to third parties in the ordinary course of business;

(l) attachment, judgment and other similar Liens arising in connection with court proceedings which are effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings;

(m) any Lien against any property or assets of a Person existing at the time such Person becomes such a Principal Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(n) any Lien existing on any property or assets prior to the acquisition thereof, which Lien was not created in connection with the acquisition thereof, except for Liens permitted pursuant to clause (f) above;

(o) Liens on any property or assets of the Guarantor or any such Principal Subsidiary in favor of any government or any subdivision thereof, securing the obligations of the Guarantor or such Principal Subsidiary under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

(p) Liens created in connection with any sale/leaseback transaction;

(q) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or assets covered thereby; and

(r) Liens in respect of Indebtedness for Borrowed Money with respect to which the Guarantor or any Principal Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and its Subsidiaries in respect thereof (other than the obligations that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

Consolidation, Merger and Sale of Assets

The Guarantor may not, without the consent of the holders of any Outstanding Notes, consolidate with or merge into any other Person in a transaction in which the Guarantor is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to, any Person unless, among other things, (i) any Person formed by such consolidation or into which the Guarantor is merged or to whom the Guarantor has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the jurisdiction of its organization and such Person assumes the Guarantor's obligations under the Fiscal Agency Agreement (including the Guarantee and any obligation to pay Additional Amounts), (ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (iii) any such Person not organized and validly existing under the laws of the United States, any state thereof or the District of Columbia or, as the case may be, Hong Kong or the Cayman Islands shall expressly agree in a supplemental Fiscal Agency Agreement that all payments pursuant to the Guarantee in respect of principal of and interest on the notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the jurisdiction of organization of such Person or any political subdivision or taxing authority thereof or therein, unless such taxes, duties, assessments or governmental charges are required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such Person will pay such additional amounts of, or in respect of, principal and interest ("Successor Additional Amounts") as will result (after deduction of such taxes, duties, assessments or governmental charges and any additional taxes, duties, assessments or governmental charges payable in respect of such Successor Additional Amounts) in the payment to the holder of a note of the amounts which would have been payable pursuant to the Guarantee had no such withholding been required, subject to the same exceptions (other than the right to redeem the notes as a result of such consolidation, merger, conveyance, lease or transfer) as apply with respect to the payment by the Guarantor of Additional Amounts in respect of the Guarantee (inserting references to the taxing jurisdiction where appropriate) and (iv) if, as a result of the transaction, property of the Guarantor would become subject to a Lien that would not be permitted under the subheading "— Lien Covenants", the Guarantor or such successor Person takes such steps as shall be necessary to secure the notes and the Guarantee equally and ratably with (or prior to) the indebtedness secured by such Lien and (v) the Guarantor has delivered to the Fiscal Agent an officers' certificate and an opinion of counsel each stating that such consolidation, merger, conveyance, transfer or lease comply with this paragraph and that all conditions precedent herein provided for relating to such transaction have been complied with.

Listing of the Notes

By the Time of Delivery, the Issuer would have made an application for the notes to be listed on the SGX-ST but an application may instead be made to another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization of Economic Co-operation and Development. In connection with such application, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain the listing as promptly as practicable after the Time of Delivery (if not already obtained). The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS in which event the Issuer will use endeavors considered in its sole opinion to be reasonable to it to seek a replacement listing of such notes on any section of any stock exchange on which they are traded or another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization of Economic Co-operation and Development, *provided that* obtaining or maintaining a listing on such stock exchange would not be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS. In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain a replacement listing elsewhere.

Events of Default

The occurrence of each of the following events will constitute an event of default ("Events of Default"):

(a) failure to pay principal of any note within five days after the due date for such payment; and

(b) failure to pay interest on any note within 30 days after the due date for such payment; and

(c) failure to perform any other covenant of the Issuer or the Guarantor in the Fiscal Agency Agreement or the notes (excluding the covenant under "— Certain Covenants — Listing of the Notes") which has continued for 60 days after there has been given, by registered or certified mail, to the Issuer or the Guarantor by the Fiscal Agent or by the holders of at least 25% in aggregate principal amount of the Outstanding Notes, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Fiscal Agency Agreement or the notes, as the case may be; and

(d) (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries), (ii) acceleration of the maturity of any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such Indebtedness for Borrowed Money is not discharged, or such acceleration is not annulled, within 10 days after receipt of the written notice as provided in the Fiscal Agency Agreement, or (iii) failure to pay any amount payable by the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) under any guarantee or indemnity in respect of any Indebtedness for Borrowed Money of any other Person; provided, however, that (1) no such event set forth in clause (i), (ii) or (iii) of this sub-clause (d) shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money to which all such events relate exceeds US$30,000,000 (or its equivalent in any other currency) and (2) Indebtedness for Borrowed Money which is (x) in the form of secured project financing or secured limited recourse financing and (y) not guaranteed by the Guarantor or a Principal Subsidiary (other than a Listed Principal Subsidiary) shall be deemed not to be Indebtedness for Borrowed Money for the purpose of this paragraph (d); and

(e) certain events in bankruptcy or insolvency in respect of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries).

If an Event of Default (other than an Event of Default described in clause (e) above) with respect to the notes shall occur and be continuing, the holders of at least 25% in aggregate principal amount of the Outstanding Notes, by notice as provided in the Fiscal Agency Agreement, may declare the principal amount of the notes, and any accrued and unpaid interest thereon to be due and payable immediately. If an Event of Default referred to in paragraph (e) above with respect to the notes shall occur, the principal amount of all notes and any accrued and unpaid interest thereon will automatically, and without any action by any holder of the notes, become immediately due and payable. After any such acceleration but before a judgment or decree based on acceleration has been obtained, the holders of a majority in aggregate principal amount of the Outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all then existing Events of Default have been cured or waived as provided in the Fiscal Agency Agreement.

Modification and Amendment

The Issuer or the Guarantor may, at any time, and the Fiscal Agent shall at any time after the notes shall have become immediately due and payable due to an Event of Default, upon a written request of holders of at least 10% of the Outstanding Notes, call a meeting of holders of the notes at such time and at such place in The City of New York as the Issuer, the Guarantor or the holders of at least 10% in principal amount of Outstanding Notes may determine. At a meeting of the holders of the notes, persons entitled to vote a majority in aggregate principal amount of the Outstanding Notes shall constitute a quorum. In the absence of a quorum, within 30 minutes of the time appointed for any such meeting, at any such meeting, the meeting may be adjourned; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Outstanding Notes shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Modifications and amendments to the Fiscal Agency Agreement or the notes requiring consent of holders may be made, and future compliance therewith or past defaults by the Issuer and the Guarantor may be waived with respect to the notes, with the consent of the holders of at least a majority in aggregate principal amount of the Outstanding Notes or by a resolution adopted at a meeting of holders at which a quorum is present; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any note may, without the consent of each holder of the notes, (a) change the stated maturity of the principal of, or date for payment of interest on, any such note; (b) reduce the principal of or interest on any such note; (c) change the currency of payment of the principal of or interest on any such note; (d) change the provisions or procedures relating to the redemption of the notes; or (e) reduce the above-stated percentage of aggregate principal amount of Outstanding Notes or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any resolution at a meeting of holders of Outstanding Notes to modify or amend the Fiscal Agency Agreement with respect to the notes, or to waive compliance with, or past defaults of the Issuer of, any of the covenants or conditions referred to above (other than those set forth above as requiring the consent of each holder of a note) shall be adopted if passed by the lesser of (a) a majority in aggregate principal amount of the Outstanding Notes and (b) 75% in aggregate principal amount of the Outstanding Notes represented and voting at the meeting.

Defeasance and Covenant Defeasance

The Issuer and the Guarantor, at the Issuer's or the Guarantor's option, (a) will be deemed to have been discharged from any and all obligations in respect of the notes (except for certain obligations to pay any Additional Amounts in respect of any withholding or deduction for Cayman Islands, Hong Kong or PRC taxes (as described above under "—Additional Amounts") then unknown, to register the transfer of or exchange notes, to replace stolen, lost, destroyed or mutilated notes upon satisfaction of certain requirements (including, without limitation, providing such security or indemnity as the Fiscal Agent, the Issuer or the Guarantor may require), to maintain paying agents and to hold certain monies in trust for payment) or (b) need not comply with certain restrictive covenants with respect to the notes (including those described under "Certain Covenants"), in each case if, among other things, the Issuer or the Guarantor deposits, in trust with the Fiscal Agent, money in an amount, or U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or a combination thereof, in each case sufficient to pay all the principal of, interest on, and any Additional Amounts in respect to any withholding or deduction for Cayman Islands, Hong Kong or PRC taxes known at such time and required to be paid with regard to, the notes, on the dates such payments are due in accordance with the terms of the Fiscal Agency Agreement and such notes. In the case of discharge pursuant to clause (a) above, the Issuer or the Guarantor, as the case may be, is required to deliver to the Fiscal Agent an opinion of counsel stating that (i) the Issuer or the Guarantor, as the case may be, has received from, or there has been published by, the United States Internal Revenue Service, a ruling, or (ii) since the date of the Fiscal Agency Agreement, there has been a change in the applicable United States Federal income tax laws, in either case to the effect that the holders of the notes will not recognize gain or loss for United States Federal income tax purposes as a result of the exercise of the option under clause (a) above and will be subject to United States Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised.

Fiscal Agent

The Bank of New York Mellon will be the Fiscal Agent under the Fiscal Agency Agreement. The Global Trust Service Division of the Fiscal Agent is located at 101 Barclay Street, 4E, New York, N.Y. 10286, U.S.A. The Fiscal Agent is an agent of the Issuer and does not have the duties of a trustee with respect to the holders of the notes.

The Fiscal Agent may resign at any time or may be removed by the Issuer or the Guarantor. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent will be appointed in accordance with the provisions of the Fiscal Agency Agreement. In such event, the Issuer will notify the SGX-ST where such appointment would have a material effect on the price or value of the notes or on an investor's decision whether to trade in the notes, or is released to the home market (i.e. the Stock Exchange of Hong Kong Limited).

Obligation Currency

To the fullest extent permitted by applicable law, the Issuer's obligation under the notes to make all payments in U.S. dollars (the "Obligation Currency") will not be satisfied by any payment, recovery or any other realization or proceeds in any currency other than the Obligation Currency. The Issuer has agreed to indemnify the holders of the notes in U.S. dollars for any shortfall in the aggregate amount of Obligation Currency actually received by such holders and the aggregate amount of payments due and payable.

Governing Law

The Fiscal Agency Agreement, the notes and the guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Return of Unclaimed Funds

Any funds deposited with the Fiscal Agent to pay principal or interest on any note, that remain unclaimed and unescheated for one year after the date upon which the last payment of principal of or interest on any note to which such deposit relates shall have become due and payable, shall be repaid to the Issuer upon its written request by the Fiscal Agent, and the holder of any note to which such deposit related that is entitled to receive payment shall thereafter look only to the Issuer for the payment thereof and all liability of the Fiscal Agent with respect to such funds and the Fiscal Agency Agreement shall thereupon cease.

Further Issues

Subject to applicable law and the Fiscal Agency Agreement, the Issuer may, from time to time, without the consent of the holders of the notes, create and issue additional notes pursuant to the Fiscal Agency Agreement either having the same terms and conditions as the notes in all respects (or in all respects except for the first payment of interest on them) and so that such additional notes may be consolidated and form a single series with such existing notes or having such other terms as the Issuer may determine at the time of issue.

Notices

Notices to the holders of the notes will be mailed to them at their respective addresses in the register of notes. Any such notice will be deemed to have been given on the fourth day after being so mailed. So long as and to the extent that the notes are represented by global notes and such global notes are held by DTC, notices to owners of beneficial interests in the global notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

Definitions

Set forth below are definitions of certain of the terms used herein. Additional terms are defined elsewhere above or in the Fiscal Agency Agreement.

"Adjusted Consolidated Net Worth" means the aggregate of (a) the amount paid up or credited as paid up on the issued share capital (including ordinary shares and preference shares) of the Guarantor; and (b) the amounts standing to the credit of the Guarantor's consolidated reserves (including but not limited to any such balance on the share premium account, exchange reserves, revaluation reserves and retained profits or losses); and (c) the amount of minority interests; all as shown by the then latest audited consolidated balance sheet of the Guarantor and its Subsidiaries; *provided, however*, that the aggregate of the amounts described in clauses (a) through (c) above shall be adjusted (to the extent that the same has not been taken into account in such latest audited consolidated balance sheet) by (i) deducting therefrom any amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is less than its book value in such latest audited consolidated balance sheet, and/or (ii) adding thereto the amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is greater than its book value in such latest audited consolidated balance sheet.

"Indebtedness for Borrowed Money" means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance and that is evidenced by any agreement or other instrument, excluding trade payables; *provided, however*, that for the purposes of determining the amount of Indebtedness for Borrowed Money of the Guarantor outstanding at any relevant time, the amount included as Indebtedness for Borrowed Money of the Guarantor in respect of finance leases shall be the net amount from time to time properly characterized as "obligations under finance leases" in accordance with HKFRS.

"Lien" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind. The term "Lien" shall not include an unsecured guarantee or Liens arising by operation of law.

"Listed Principal Subsidiary" means any Principal Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other recognized stock exchange.

"Market Value" means (a) the best price at which the relevant asset (other than shares described in clause (b)) is expected to be sold on the relevant date assuming (i) a willing seller; (ii) a reasonable period in which to negotiate the sale; (iii) values will remain constant during the negotiation period; (iv) the asset will be freely exposed to the market; and (v) there is no special purchaser; and (b) in the case of shares in associated companies which are quoted on any stock exchange, the value of such shares, having regard to the underlying net assets of such associated companies and the percentage holding of the Guarantor and its Subsidiaries in such associated companies, in each such case as reasonably determined by the board of directors of the Guarantor after deducting (or, where such Market Value is to result in an adjustment to the then latest audited consolidated balance sheet, adjusting for) an estimate of the direct tax liability (if any) which would arise on the sale of such asset at such price computed solely by reference to such sale price and the cost price for tax purposes.

"Outstanding Notes" means all notes authenticated and delivered under the Fiscal Agency Agreement except (1) notes theretofore canceled by, or delivered for cancellation to, the Fiscal Agent; (2) notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Fiscal Agent for the holders of such notes, provided that if such notes are to be redeemed, notice of such redemption has been duly given pursuant to the Fiscal Agency Agreement and the notes; (3) notes which have been paid or purchased by or on behalf of the Issuer or by any person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer (in determining whether the Fiscal Agent shall be protected in making any calculation as to the aggregate principal amount of Outstanding Notes or in relying upon any request, demand, authorization, direction, notice, consent or waiver, only notes which a Responsible Officer of the Fiscal Agent has received written notice to have been so paid or purchased shall be so disregarded); (4) notes in exchange for or in lieu of which other notes have been authenticated and delivered pursuant to the Fiscal Agency Agreement; and (5) notes which have been defeased.

"Person" means any person or entity.

"Principal Subsidiary" means at any time a Subsidiary of the Guarantor: (a) as to which one or more of the following conditions is satisfied: (i) its net profits or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated net profits attributable to the Guarantor (in each case before taxation and extraordinary items) are at least 5% of the consolidated net profits of the Guarantor and its Subsidiaries (in each case before taxation and extraordinary items); or (ii) its net assets or (in the case of a Subsidiary of the Guarantor which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor represent 5% or more of the consolidated net assets (after deducting minority interests in Subsidiaries) of the Guarantor and its Subsidiaries; all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Guarantor and its Subsidiaries, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; (3) if the accounts of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary of the Guarantor is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Guarantor and its Subsidiaries; or (b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that the Subsidiary of the Guarantor which so transfers its assets and undertaking shall forthwith upon the transfer cease to be a Principal Subsidiary (but without prejudice to clause (a) above) and the Subsidiary of the Guarantor to which the assets and undertaking are so transferred shall become a Principal Subsidiary; and for this purpose an opinion by the auditors of the Guarantor on a calculation to show whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"Responsible Officer" when used with respect to the Fiscal Agent, means any officer within the corporate trust and agency group (or any successor department) of the Fiscal Agent, including, without limitation, any vice president, any assistant vice president, any assistant secretary or any assistant treasurer, or any trust officer or any other officer of the Fiscal Agent customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Subsidiary" means in relation to any person and at any particular time any entity of which more than 50% of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries.

TAXATION

Cayman Islands Taxation

The Cayman Islands currently has no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

The Issuer has received an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law that is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the Issuer or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Issuer to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Issuer.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands. Certificates evidencing the notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. An instrument of transfer in respect of a note if executed in or brought within the jurisdiction of the Cayman Islands will attract a Cayman Islands stamp duty of C.I.$100 (US$122).

Hong Kong Taxation

Withholding Tax

Under existing Hong Kong law, no withholding tax is payable in respect of payments of principal or interest on the notes or in respect of any capital gains arising from the sale of the notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong, "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest on the notes will be subject to Hong Kong profits tax where such interest is received by or accrues to:

(a) a financial institution (as defined in the Inland Revenue Ordinance) by way of interest which arises through or from the carrying-on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or

(b) a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong and such interest is in respect of the funds of the trade, profession or business.

In relation to income that may arise from the notes, Hong Kong is not party to any income tax treaty with Japan, Singapore, the United States or the UK.

Stamp Duty

No stamp is payable on the issue of the notes. Stamp duty may be payable on any transfer of the notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable provided either:

(i) the notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)). @#

@The foregoing summary is of a general nature only and is based on Hong Kong law as of the date of this Offering Memorandum and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The foregoing summary does not purport to be a comprehensive description of all of the Hong Kong tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and does not purport to deal with the Hong Kong tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of notes should consult with their own professional tax advisors as to the particular consequences of holding the notes which may affect them.

United States Federal Income Taxation

Any discussion of tax issues set forth in this offering memorandum was written in connection with the promotion and marketing of the transactions described in the offering memorandum. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) of the ownership and disposition of notes held as capital assets. This summary applies only to U.S. Holders that are purchasers of the notes at original issuance in accordance with this offering memorandum. This summary does not address all U.S. federal income tax consequences that may be relevant to U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax laws, such as dealers or traders in securities or currencies, financial institutions, tax-exempt organizations, insurance companies, persons holding notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, real estate investment trusts, regulated investment companies, grantor trusts, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or U.S. Holders of notes whose "functional currency" is not the U.S. dollar. Furthermore, the summary below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and existing and proposed U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, resulting in U.S. federal income tax consequences different from those discussed below. **Persons considering the purchase, ownership or disposition of notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.**

As used herein, a "U.S. Holder" of a note means a holder that for U.S. federal income tax purposes is (1) a citizen or resident individual of the United States, (2) a corporation or other entity treated as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust (a) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partner of a partnership holding notes should consult its tax advisor as to the associated tax consequences.

Payments of Interest

Interest (including any Additional Amounts and any Cayman Islands, Hong Kong or PRC tax withheld) on a note will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Interest income on a note generally will constitute foreign source income and generally will be considered "passive category" income, or in the case of certain U.S. Holders, "general category" income, which are treated separately from other types of income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. If Cayman Islands, Hong Kong or

PRC tax is withheld, a U.S. Holder may be entitled to a credit for such withholding tax subject to applicable limitations in the Code. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Retirement or Other Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any amount attributable to accrued interest, which will be recognized as ordinary interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in a note. A U.S. Holder's tax basis in a note generally will be the U.S. Holder's cost therefor. Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be treated as U.S. source gain or loss. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange, retirement or other disposition of notes. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the note has been held for more than one year at the time of sale, exchange, retirement or other disposition. Net long-term capital gains of noncorporate taxpayers, including individuals, may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal and interest on a note and to the proceeds of the sale, exchange, retirement or other disposition of a note made by a U.S. agent or other U.S. intermediary to U.S. Holders other than certain exempt recipients (including, among others, corporations). Backup withholding will apply to such payments if the U.S. Holder fails to provide its taxpayer identification number or otherwise fails to comply with backup withholding rules.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

European Union Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires each Member State to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State, except that Austria, Belgium and Luxembourg have instead opted to impose a withholding tax system for a transitional period (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) unless during such period they elect otherwise.

PLAN OF DISTRIBUTION

The Issuer intends to offer the notes through the initial purchasers named below (the "Initial Purchasers"). Subject to the terms and conditions contained in a purchase agreement dated April 6, 2009 (the "Purchase Agreement") among the Issuer, the Guarantor and the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers, severally and not jointly, has agreed to purchase from the Issuer, the principal amount of the notes listed opposite its name below.

Initial Purchasers	**Principal Amount of notes**
Deutsche Bank Securities Inc.	US$500,000,000
The Hongkong and Shanghai Banking Corporation Limited	500,000,000
J.P. Morgan Securities Inc.	500,000,000
Total	US$1,500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the notes is subject to conditions contained in the Purchase Agreement such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers have advised the Issuer and the Guarantor that they propose initially to offer the notes at the prices listed on the cover page of this offering memorandum. After the initial offering, the prices to investors, concessions and discounts may be changed.

Each of the Issuer and the Guarantor has agreed with each of the Initial Purchasers in the Purchase Agreement that during the period from the date thereof to the date 10 days after the Time of Delivery, it will not offer, sell, contract to sell or otherwise dispose of, except for the notes to be sold under the Purchase Agreement, any securities of the Issuer (other than the notes) that are denominated in a currency in which the notes are denominated and are substantially similar to the notes or the guarantees of the Guarantor, without the prior written consent of the Representatives (as defined in the Purchase Agreement).

The Issuer and the Guarantor have agreed in the Purchase Agreement to indemnify the Initial Purchasers against certain losses that the Initial Purchasers incur in respect of certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Notes Are Not Being Registered

Each of the Initial Purchasers proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. Each of the Initial Purchasers agreed that it will not offer or sell the notes except:

- through its respective U.S. selling agents to persons it reasonably believes to be qualified institutional buyers in the United States within the meaning of Rule 144A under the Securities Act in transactions meeting the requirements of Rule 144A; and

- pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in reliance on Regulation S.

Each of the Initial Purchasers has acknowledged and agreed that, except as permitted by the preceding paragraph, it will not offer or sell notes (i) as part of its distribution at any time, and (ii) otherwise until 40 days after the later of the date upon which the offering of the notes commences and the Time of Delivery, within the United States or to, or for the account or benefit of, U.S. persons. Each of the Initial Purchasers has agreed that, at or prior to confirmation of a sale of notes (other than a sale of notes pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases notes from or through it prior to the expiration of such 40-day period a confirmation or notice setting forth the restrictions on offers and sales of notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the later of the commencement of this offering and the Time of Delivery, an offer or sale of the notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions".

Cayman Islands Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that it has not made, and will not make any invitation directly or indirectly to the public in the Cayman Islands to subscribe for any of the notes.

Hong Kong Selling Restrictions

Each of the Initial Purchasers has represented and agreed that

- it has not offered or sold and will not offer or sell, and has not permitted and will not permit to be offered or sold in Hong Kong, by means of any document, any notes, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances that do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, (whether in Hong Kong or elsewhere) any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning ascribed to it in the SFO and any rules made thereunder.

Republic of Italy Selling Restrictions

Each Initial Purchaser has not offered, sold or delivered, nor distributed and will not offer, sell or deliver, copies of the Offering Memorandum or any other document relating to the notes in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of November 4, 2003; or (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("Regulation No. 11971"); and (iii) any offer, sale or delivery of the notes or distribution of copies of the Offering Memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above have been or will be made only (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Japan Selling Restrictions

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law"). Each of the Initial Purchasers has agreed that it has not, directly or indirectly, offered or sold and will not offer or sell any notes in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore Selling Restrictions

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each of the Initial Purchasers has severally represented and agreed that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase, nor will it offer or sell the notes or cause the notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased notes, namely a person who is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries´ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) by operation of law.

UK Selling Restrictions

Each of the Initial Purchasers has agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

- it has complied with, and will comply with, all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

Price Stabilization and Short Positions

In connection with the offering, The Hongkong and Shanghai Banking Corporation Limited, as Stabilizing Manager, or anyone acting on its behalf may, to the extent permitted by the relevant laws, rules and regulations of the appropriate jurisdiction, engage in transactions that stabilize the market prices of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the prices of the notes. If the Stabilizing Manager or anyone acting on its behalf creates a short position in the notes in connection with the offering, i.e., if it sells more notes than are listed on the cover page of this offering memorandum, such Initial Purchasers may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of these purchases.

Neither the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, neither the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation that any Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Listing

Application will be made to the SGX-ST for permission to deal in and the listing of the notes. No assurance can be given as to the liquidity of, or trading market for, the notes. The Issuer cannot guarantee that the application to the SGX-ST will be approved. The offering and the settlement of the notes is not conditional on obtaining listing on such exchange.

Other Relationships

Certain of the Initial Purchasers or their affiliates have engaged and may engage in investment banking and other commercial dealings in the ordinary course of business with the Guarantor and certain of its affiliates. They have received and may receive fees and commissions for these services.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the notes.

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. It (A)(i) is a qualified institutional buyer, (ii) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (iii) is acquiring such notes for its own account or the account of a qualified institutional buyer or (B) is outside the U.S. and is not a U.S. person (as defined in Regulation S);

2. it acknowledges that the notes and the guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

3. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes or any beneficial interests in any notes other than notes represented by a Regulation S global certificate, such notes may be resold, pledged or transferred only (A) by an initial investor (i) to the Issuer or to the Guarantor or any subsidiary thereof, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) (resales described in subclauses (i) through (iv) of this clause (A), "Safe Harbor Resales"), or (B) by a subsequent investor, in a Safe Harbor Resale or pursuant to any other available exemption from the registration requirements under the Securities Act (provided that, as a condition to the registration of transfer of any notes otherwise than in a Safe Harbor Resale, the Issuer, the Guarantor or the Fiscal Agent may require delivery of any documents or other evidence (including but not limited to an opinion of counsel) that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption), or (C) pursuant to an effective registration statement under the Securities Act, and in each of such cases, in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;

4. it agrees to, and each subsequent holder is required to, notify any purchaser of the notes from it of the resale restrictions referred to in clause 3 above, if then applicable;

5. it understands and agrees that (A) notes initially offered in the United States to qualified institutional buyers will be represented by Rule 144A global certificates and (B) that notes offered outside the United States in reliance on Regulation S will be represented by Regulation S global certificates;

6. it understands that the notes, other than notes represented by the Regulation S certificates, will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF HUTCHISON WHAMPOA INTERNATIONAL (09) LIMITED (THE "ISSUER") AND HUTCHISON WHAMPOA LIMITED (THE "GUARANTOR") THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) BY AN INITIAL INVESTOR (AS DEFINED BELOW) (1) TO THE ISSUER OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) (RESALES DESCRIBED IN SUBCLAUSES (1) THROUGH (4) OF THIS CLAUSE (A), "SAFE HARBOR RESALES"), OR (B) BY A SUBSEQUENT INVESTOR, IN A SAFE HARBOR RESALE OR PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY SECURITIES OTHERWISE THAN IN A SAFE HARBOR RESALE, THE ISSUER, THE GUARANTOR OR THE TRANSFER AGENT MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE (INCLUDING BUT NOT LIMITED TO AN OPINION OF COUNSEL)

THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION), OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

FOR ALL PURPOSES OF THIS SECURITY, THE TERM "INITIAL INVESTOR" MEANS ANY PERSON WHO, IN CONNECTION WITH THE INITIAL DISTRIBUTION OF THIS SECURITY, ACQUIRES SUCH SECURITY FROM THE ISSUER OR THE INITIAL PURCHASERS (AS SUCH TERM IS DEFINED IN THE FISCAL AGENCY AGREEMENT) PARTICIPATING IN SUCH DISTRIBUTION OR ANY AFFILIATE OF ANY OF THE FOREGOING.";

7. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes represented by Regulation S certificates or any beneficial interest in any notes represented by Regulation S certificates, such notes may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in paragraph (8) below;

8. it understands that the notes represented by Regulation S certificates will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE TIME OF DELIVERY, AS DEFINED IN THE PURCHASE AGREEMENT DATED APRIL 6, 2009 (THE "DISTRIBUTION COMPLIANCE PERIOD"), EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (B) WITHIN THE UNITED STATES TO A PERSON THAT THE TRANSFEROR, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, PROVIDED, HOWEVER, THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFER AGENT SHALL HAVE RECEIVED A WRITTEN CERTIFICATION (IN THE FORM(S) PROVIDED IN THE FISCAL AGENCY AGREEMENT) (1) FROM THE TRANSFEREE TO THE EFFECT THAT SUCH TRANSFEREE (X) IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT (OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OVER WHICH ACCOUNT IT EXERCISES SOLE INVESTMENT DISCRETION) AND (Y) AGREES TO COMPLY WITH THE RESTRICTIONS ON TRANSFER SET FORTH UNDER "TRANSFER RESTRICTIONS" IN THE OFFERING MEMORANDUM DATED APRIL 6, 2009 AND (2) FROM THE TRANSFEROR TO THE EFFECT THAT THE TRANSFER WAS MADE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE CERTIFICATIONS CONTEMPLATED BY CLAUSE (1) (X) AND CLAUSE (2) OF THE PRECEDING PARAGRAPH SHALL NO LONGER BE REQUIRED, BUT THE TRANSFEREE WILL STILL BE REQUIRED TO CERTIFY AS PROVIDED BY CLAUSE (1) (Y) OF SUCH PARAGRAPH. UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE NOTES REPRESENTED BY THE REGULATION S CERTIFICATES SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION, THE OFFER OR SALE OF THE NOTES REPRESENTED BY THE REGULATION S CERTIFICATES BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.";

9. it acknowledges that, prior to any proposed transfer of notes in certificated form or of beneficial interests in notes represented by a global certificate (in each case other than pursuant to an effective registration statement), the holder of notes or the holder of beneficial interests in notes represented by a global certificate, as the case may be, may be

required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Fiscal Agency Agreement; and

10. it acknowledges that the Issuer, the Guarantor and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representation and agreements and agrees that, if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of notes are no longer accurate, it shall promptly notify the Issuer and the Guarantor, and if it is acquiring any notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the Fiscal Agency Agreement to effect exchanges of transfer of interests in notes represented by a global certificate and of notes in certificated form, see "Description of the Notes and the Guarantee — Notes: Delivery and Form".

AVAILABLE INFORMATION

In order to preserve the exemptions for resales and transfers pursuant to Rule 144A, the Guarantor has agreed to furnish, upon the request of any holder of a note or of a beneficial interest in a note represented by a global certificate, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act to such holder or beneficial owner or to a prospective purchaser of such note or interest in a note represented by a global certificate in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such note by such holder or of such beneficial interest by such beneficial owner, unless, at the time of such request, the Guarantor is subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to furnish the SEC with certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

RATINGS

The notes are expected to be rated "A-" by Fitch, "A3" by Moody's and "A-" by S&P. The credit ratings accorded to the notes are not a recommendation to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant or that other credit agencies will issue credit ratings. Ratings are subject to revision or withdrawal at anytime by the rating agencies.

VALIDITY OF THE NOTES AND THE GUARANTEE

The validity of the notes and the guarantee and certain additional legal matters under United States law will be passed upon for the Issuer and the Guarantor by Shearman & Sterling LLP. Certain legal matters under Cayman Islands law with respect to the notes will be passed upon for the Issuer by Maples and Calder. Certain legal matters under Hong Kong law with respect to the notes and guarantee will be passed upon for the Issuer and the Guarantor by Woo, Kwan, Lee & Lo. Allen & Overy has acted as counsel to the Initial Purchasers with respect to certain matters of United States law.

INDEPENDENT AUDITOR

The consolidated financial statements of Hutchison as of December 31, 2008 and 2007 and for the years ended December 31, 2008 and 2007 (with comparative financial information for the year ended December 31, 2006) included in this offering memorandum have been audited by PricewaterhouseCoopers, independent auditor, as stated in their reports appearing herein.

GENERAL INFORMATION

1. The notes represented by Regulation S global certificates have been accepted for clearance through Euroclear and Clearstream with the following Common Codes. The CUSIP Numbers for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates and the International Security Identification Numbers ("ISIN") for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates are as follows:

Common Code for Rules 144A Global Certificates	042373885
Common Code for Regulation S Global Certificates	042371696
CUSIP Number for Rule 144A Global Certificates	44841PAA3
CUSIP Number for Regulation S Global Certificates	G4672UAA3
ISIN for Rule 144A Global Certificates	US44841PAA30
ISIN for Regulation S Global Certificates	USG4672UAA37

2. Application will be made to SGX-ST for permission to deal in and the listing of the notes but an application may instead be made to another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, for permission to deal in and the listing of the notes. However the Issuer cannot guarantee that the application to the SGX-ST or such other stock exchange will be approved. The offering and settlement of the notes are not conditional on obtaining listing. In connection with such application, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain the listing as promptly as practicable after the Time of Delivery (if not already obtained). The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS in which event the Issuer will use endeavors considered in its sole opinion to be reasonable to it to seek a replacement listing of such notes on any section of any stock exchange on which they are traded or another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, provided that obtaining or maintaining a listing on such market of such stock exchange would not be, in the opinion of the Issuer, unduly burdensome including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS. In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain a replacement listing elsewhere.

The notes will be traded in a minimum board lot size of US$200,000 (or its equivalent in other currencies) so long as any of the notes are listed on the SGX-ST and the rules of that exchange so require.

For so long as any of the notes are listed on the SGX-ST and the rules of that exchange so require, the Issuer will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive notes. In addition, in the event that a Global Note is exchanged for definitive notes, an announcement of such exchange shall be made by the Issuer or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorizations as may be required in connection with the issue and performance of the notes, except as disclosed in this offering memorandum. The issue of the notes was approved by resolutions of the Issuer passed on April 2, 2009 and the giving of the guarantee of the notes by the Guarantor was authorized by resolutions of the Guarantor passed on April 2, 2009.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position or prospects of Hutchison since December 31, 2008 and there has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation.

5. Other than as referred to elsewhere in this offering memorandum, neither the Issuer nor the Guarantor nor any of the Guarantor's subsidiaries is involved in any litigation or arbitration proceedings that if determined adversely to the

Guarantor or any of its subsidiaries would, in the aggregate, have a material adverse effect on the consolidated financial position of the Guarantor and the Guarantor's subsidiaries (including the Issuer) taken as a whole, nor is the Issuer, the Guarantor or any of the Guarantor's subsidiaries aware that any such proceedings are pending or threatened.

6. A copy of the Memorandum and Articles of Association of each of the Issuer and the Guarantor and copies of the Fiscal Agency Agreement and the Purchase Agreement will be available for inspection during usual business hours on any weekday (except public holidays) at the offices of the Fiscal Agent. As long as any of the notes remains outstanding, copies of the Guarantor's annual report in English prepared in accordance with the rules and regulations of the SEHK and its most recent unaudited semi-annual interim report in English for each of the two financial years immediately preceding the issue of this offering memorandum prepared in accordance with the rules and regulations of the SEHK will be delivered to and be obtainable from the specified offices of the Fiscal Agent. The Guarantor does not publish full non-consolidated annual financial statements. The Guarantor does publish a non-consolidated annual balance sheet and certain notes thereto which are included in the financial statements in this offering memorandum.

7. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under Cayman Islands law. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions.

8. Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which were amended on May 16, 2000 and are applicable for accounting periods ending on or after July 1, 2000, the Guarantor is required to publish an annual report containing the audited non-consolidated balance sheet of the Guarantor and the audited consolidated financial statements of the Guarantor not later than four months after the date upon which the financial period ended. The Guarantor is also required to publish a semi-annual interim report, which should be reviewed by the Guarantor's auditors or audit committee, containing the unaudited consolidated balance sheet, income statement, cash flow statement and a statement of movements in equity, each with comparatives, of the Guarantor for the first six months of each financial year not later than three months after the end of that six-month period. The Guarantor does not publish audited interim consolidated nor non-consolidated financial statements.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN HONG KONG FINANCIAL REPORTING STANDARDS AND U.S. GAAP

The audited consolidated financial statements of Hutchison are prepared and presented in accordance with HKFRS, which differ in certain significant respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures, which Hutchison has not made, required by U.S. GAAP.

Certain significant measurement differences between HKFRS and U.S. GAAP relevant to Hutchison's consolidated financial statements are summarized below. This summary should not be construed to be exhaustive. No attempt has been made to prepare a complete reconciliation of Hutchison's consolidated financial statements and related footnote disclosures between HKFRS and U.S. GAAP nor to quantify the impact of those differences. Accordingly, no assurance is provided that the following summary of certain differences between HKFRS and U.S. GAAP is complete. In making an investment decision, investors must rely upon their own examination of Hutchison, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how these differences might affect the financial information herein. Additionally, no attempt has been made to identify future differences between HKFRS and U.S. GAAP as the result of prescribed changes in accounting standards and regulations. Regulatory bodies that promulgate HKFRS and U.S. GAAP have significant ongoing projects that could affect future comparisons such as this one. Finally, no attempt has been made to identify all future differences between HKFRS and U.S. GAAP that may affect Hutchison's consolidated financial statements as a result of transactions or events that may occur in the future.

Historical cost or valuation

Under HKFRS, historical cost is the main accounting convention. However, HKFRS permits the revaluation of intangible assets, property, plant and equipment (PPE) and investment property. HKFRS also requires certain categories of financial instruments and certain biological assets to be reported at fair value.

U.S. GAAP prohibits revaluations except for certain categories of financial instruments which are carried at fair value.

Special purpose entities

Under HKFRS, Special purpose entities ("SPEs") are consolidated where the substance of the relationship indicates that an entity controls the SPE. Control may arise through the predetermination of the activities of the SPE (operating on 'autopilot') or otherwise. Indicators of control arise where:

- the SPE conducts its activities on behalf of the entity;
- the entity has the decision-making power to obtain the majority of the benefits of the SPE;
- the entity has other rights to obtain the majority of the benefits of the SPE; or
- the entity has the majority of the residual or ownership risks of the SPE or its assets.

Post-employment benefit plans or other long-term employee benefit plans to which HKAS 19, Employee Benefits, applies are excluded from this requirement.

Under U.S. GAAP, the consolidation of an SPE is required by its primary beneficiary when the SPE meets the definition of a Variable Interest Entity ("VIE") and the primary beneficiary has a variable interest in the entity that will cause it to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. There are several scope exceptions to this rule (such as pension, post-retirement or post-employment plans). Specific criteria also permit the transfer of financial assets to an SPE that is not consolidated by the transferor. The SPE should be a qualifying SPE (QSPE, as defined), and the assets should be financial assets (as defined).

Business combinations

HKFRS and U.S. GAAP require the use of the purchase method of accounting for most business combination transactions.

Goodwill

Goodwill arises as the difference between the cost of the acquisition and the acquirer's share of fair value of identifiable assets, liabilities and contingent liabilities acquired. Purchased goodwill is capitalized as an intangible asset.

Under HKFRS, from January 1, 2005, goodwill ceased to be amortized but reviewed for impairment annually and when indicators of impairment arise. A one-step impairment test is performed. The recoverable amount (i.e. the higher of its fair value less costs to sell and its value in use) is compared to its carrying amount. The impairment loss is recognized in operating results as the excess of the carrying amount over the recoverable amount. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

Under U.S. GAAP, goodwill is not amortized but reviewed for impairment annually and when indicators of impairment arise. A two-step approach is required:

1. The fair value and the carrying amount of the reporting unit including goodwill is compared. Goodwill is considered to be impaired if the fair value of the reporting unit is less than the carrying amount; and

2. If goodwill is determined to be impaired based on step one, then goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill is determined by calculating the fair value of the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination. The impairment charge is included in operating income. The loss recognized cannot exceed the carrying amount of goodwill.

Same as HKFRS, an impairment loss recognized for goodwill cannot be reversed in a subsequent period.

Negative goodwill

Under HKFRS, if any excess of fair value over the purchase price arises, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after reassessment is recognized immediately in the income statement.

Under U.S. GAAP, any excess over the purchase price after reassessment is used to reduce proportionately the fair values assigned and allocated on a pro-rata basis to all assets other than:

- current assets;
- financial assets (other than equity method investments);
- assets to be sold;
- prepaid pension assets; and
- deferred taxes.

Any negative goodwill remaining is recognized as an extraordinary gain.

Step acquisitions (investor obtaining control through more than one purchase)

Under HKFRS, the acquiree's identifiable assets, liabilities and contingent liabilities are remeasured to fair value at the date of the transaction giving rise to control. Each significant transaction is treated separately for the purpose of determining the cost of the acquisition and the amount of goodwill. Any existing goodwill is not remeasured. The adjustment to any previously held interests of the acquirer in the acquiree's identifiable assets, liabilities and contingent liabilities is treated as a revaluation.

U.S. GAAP, similar to HKFRS, each significant transaction is treated separately for the purposes of determining the cost of the acquisition and the amount of the related goodwill. However, any previous interest in the acquirer's net assets is not restated, resulting in the accumulation of portions of fair values at different dates.

Minority interests

Under HKFRS, where an investor acquires less than 100% of a subsidiary, the minority (non-controlling) interests are stated on the investor's balance sheet at the minority's proportion of the net fair value of acquired assets, liabilities and contingent liabilities assumed. In the balance sheet, minority interests are classified in equity section in the balance sheet and included in the statement of changes in equity.

Under U.S. GAAP, the minority interests are valued at their historical book value. Fair values are assigned only to the parent company's share of the net assets acquired. In the balance sheet, minority interest is classified in the mezzanine area between liabilities and equity of the balance sheet and the movement is not included in the statement of changes in shareholders' (stockholders') equity.

Impairment of long-lived assets (other than goodwill)

Under HKFRS, an entity should assess at each reporting date whether there are any indications that an asset may be impaired. The asset is tested for impairment if there is any such indication. An impairment loss is recognized in the income statement when a non-revalued asset's carrying amount exceeds its recoverable amount. Where the asset is carried at valuation the impairment loss is recognized directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset and any excess is recognized in the income statement. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use represents the future cash flows to be derived from the particular asset, discounted to present value using a pre-tax rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the cash flow estimates have not been adjusted. Fair value less cost to sell represents the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset.

Under U.S. GAAP, long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. However, unlike HKFRS, U.S. GAAP requires a two-step impairment test. The carrying amount is first compared to the undiscounted cash flows that are expected to result from the use and eventual disposal of the asset. If the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized. If the carrying amount is higher, the impairment loss (if any) is measured as the difference between the carrying amount and fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Impairment losses cannot be reversed for assets to be held and used.

Telecommunications customer acquisition and retention costs

Under HKFRS, net costs to acquire and retain telecommunications customers, which are primarily 3G customers, pursuant to contracts with early termination penalty clauses are capitalized and amortized over the period that the penalty apply (the period of contractual control). In the event that a customer churns off the network within the contractual control period, any unamortized customers acquisition and retention costs are written off in the period in which the customers churn.

Under U.S. GAAP, net costs to acquire and retain telecommunications customers are deferred and amortized over the average customer relationship period to the extent of deferred revenue with any excess costs expensed as incurred.

Investment properties

Investments property is defined under HKFRS as property (land and/or buildings) held (by the owner or by the lessee under a finance leases) to earn rentals and/or for capital appreciation. The definition does not include property held for sale in the ordinary course of business or owner-occupied property for use in the production or supply of goods or services or for administrative purposes. U.S. GAAP has no specific definition for investment property.

Under HKFRS, investment properties are accounted for at their fair value as determined by professional valuation. Changes in fair value of the investment properties are recorded in the income statement. Investment properties are not depreciated.

Under U.S. GAAP, the depreciated cost model is applied for real estate companies and operating companies. Investor entities — such as many investment companies, insurance companies separate accounts, bank-sponsored real-estate trusts and employee benefit plans that invest in real estate — measure their investments at fair value.

Available-for-sale investments

Available-for-sale investments include debt and equity securities.

Under HKFRS, available-for-sales investments are measured at fair value. Changes in fair value are recognized net of tax effects in equity (i.e. presented in a statement of changes in shareholders' equity or in a SoRIE) and recognized in the income statement when sold, impaired or collected. Foreign exchange gains and losses on debt securities are recognized in the income statement.

Under U.S. GAAP, except unlisted equity securities are generally carried at cost, available-for-sale investments are stated at fair value. Changes in fair value are reported in other comprehensive income. Foreign exchange gains and losses on debt securities are recognized in equity.

Development costs

Under HKFRS, costs relating to the development of telecommunications products, content and services that meet certain specific criteria as set out in IAS 38 "Intangible assets" are capitalized and amortized over their useful economic lives.

Under U.S. GAAP, such costs of development are required to be expensed as incurred.

Deferred tax

Under HKFRS, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred income tax is determined using tax rates (and based on laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Hutchison and it is probable that the temporary difference will not reverse in the foreseeable future.

Under U.S. GAAP, deferred tax assets and liabilities are recognized in full for temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. However, use of substantively enacted rates is not permitted. Tax rate and tax laws used must have been enacted. U.S. GAAP also requires the recognition of deferred tax assets on future deductible temporary differences and tax loss and credit carry forwards with recognition of a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. Under U.S. GAAP, no deferred taxes are recognized on undistributed profits of foreign subsidiaries that meet the indefinite reversal criterion.

Provisions

Under HKFRS, the amount recognized as a provision is the best estimate of the capital expenditure required to settle the present obligation at the balance sheet date. The anticipated cash flows are discounted if the effect is material. If a range of estimates is predicted and no amount in the range is more likely than any other amount in the range, the 'mid-point' of the range is used to measure the liability.

Under U.S. GAAP, if a range of estimates is present and no amount in the range is more likely than any other amount in the range, the 'minimum' (rather than the mid-point) amount is used to measure the liability. A provision is only discounted when the timing of the cash flows is fixed or reliably determinable.

Additionally, certain provisions that are included in profit on disposal of investments less provisions would be reclassified as operating expenses under U.S. GAAP.

Pension costs

Hutchison operates several defined benefit schemes. Under HKFRS, pension costs 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 on a periodic basis. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high-quality corporate bonds with currency and term similar to the estimated term of the benefit obligations. All actuarial gains and losses are recognized in full in the year in which they occur, outside profit or loss, in reserves. The amount recognized as a defined benefit asset (or liability) is the present value of the defined benefit obligation less the fair value of plan assets, plus unrecognized past service cost. Positive and negative past-service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. Where benefits have already vested, past-service cost is recognized immediately.

Under U.S. GAAP, retirement benefits, including pension cost and any asset or liability related to defined benefit plans, are to be recognized and computed using the projected unit credit method. All actuarial gains and losses and past service costs are recognized on the balance sheet, with a corresponding entry to accumulated other comprehensive income ("AOCI"). The option under HKFRS to recognize all actuarial gains and losses outside the income statement in reserves is not allowed under U.S. GAAP. The funded status of the defined benefit plan (that is, present value of the defined benefit obligation less the fair value of plan assets) is recognized in the balance sheet. A liability is recognized if net periodic pension cost exceeds the amounts actually funded for the period. An asset is recognized if net periodic pension cost is less than the amounts funded for the period. Positive prior-service costs for current and former employees are recognized out of AOCI and into income over the period during which the employer expects to receive an economic benefit from the increased pension benefit, which is typically the remaining service periods of active employees. Negative prior-service costs first offset previous positive prior-service costs, with the excess recognized in income in the same manner as positive prior-service cost.

Contributions to a jointly controlled entity

Under HKFRS, a venturer that contributes nonmonetary assets, such as shares or non-current assets, to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity recognizes in its consolidated income statement the portion of the gain or loss attributable to the equity interests of the other venturers, except when:

- the significant risks and rewards of the contributed assets have not been transferred to the jointly controlled entity;
- the gain or loss on the assets contributed cannot be measured reliably; or
- the contribution transaction lacks commercial substance.

Under U.S. GAAP, common practice is for an investor (venturer) to record contributions to a joint venture at cost (ie, the amount of cash contributed and the book value of other non-monetary assets contributed). However, sometimes, appreciated non-cash assets are contributed to a newly formed joint venture in exchange for an equity interest when others have invested cash or other financial-type assets with a ready market value. Practice and existing literature in this area vary. Immediate gain recognition can be appropriate. The specific facts and circumstances will affect gain recognition, and require careful analysis.

Profit recognition on real estate development and sales

In Hong Kong, it is common for property, primarily residential, to be sold in advance of its completion. Under HKFRS, Hutchison recognizes profit on sales of property developed for resale on the date when the sale is completed, or the date the occupation permit is issued, whichever is later.

Under U.S. GAAP, profit is recognized in full on real estate sales using the full accrual method if the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and the earning process is virtually complete, that is, the seller is not obligated to perform significant activities after the sale to earn the profit.

For retail commercial property sales, profit is recognized in full when the development is completed and other specific conditions relating to the expiration of the refund period, the amount of cumulative payments received, the receivable collection experience on the project as a whole and non-subordination of receivables are met. Where these conditions are met but the development is not completed, profit is required to be recognized by the percentage of completion method, provided the development has proceeded beyond its preliminary stages, can be completed according to plan and is practical. Where the conditions relating to collectibility of receivables have not been met, profit is required to be recognized using the installment method, if the conditions regarding the expiration of the refund period and the sufficiency of cumulative payments have been met and the seller is financially capable. If a retail land sale does not meet the criteria for accounting using the full accrual, percentage of completion or installment methods of revenue recognition then cash received from a buyer is accounted for as a deposit. Profit on construction in progress is required to be recognized either on the completed contract or percentage of completion method, depending on the circumstances.

Capitalization of interest

Under HKFRS, directly attributable interest costs on funds borrowed during the construction period and exchange gains and losses for a regulated associate are capitalized as fixed assets.

Under U.S. GAAP, interest attributable to the construction of fixed assets for the company's own use or for sale or lease is capitalizable during the construction or acquisition period. Interest on borrowings related to the relevant fixed assets and on borrowings that could have been avoided if capital expenditure for the assets had not been made are required to be capitalized until the asset is available for use. The total amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest incurred in that period. Exchange gains and losses and other indirect costs are generally expensed as incurred.

Consolidated Financial Statements of Hutchison

Page

Independent Auditor's Report

To the Shareholders of Hutchison Whampoa Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hutchison Whampoa Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 115 to 198, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2009

Consolidated Profit and Loss Account
for the year ended 31 December 2008

2008 US$ millions		Note	**2008** HK$ millions	**2007** HK$ millions
	Company and subsidiary companies:			
30,187	Revenue	3, 4	235,461	218,726
(9,930)	Cost of inventories sold		(77,460)	(73,977)
(4,109)	Staff costs		(32,053)	(29,325)
(443)	**3** Group telecommunications expensed customer acquisition costs		(3,457)	(5,732)
(4,801)	Depreciation and amortisation	4	(37,447)	(38,872)
(8,628)	Other operating expenses		(67,300)	(56,448)
86	Change in fair value of investment properties		672	1,988
443	Profit (loss) on disposal of investments and others	5	3,458	(11,182)
	Share of profits less losses after tax of:			
1,605	Associated companies before profit on disposal of investments and others	18	12,522	12,002
678	Jointly controlled entities	19	5,286	3,338
400	Associated company's profit on disposal of an investment and others	5, 18	3,122	35,820
5,488		4	42,804	56,338
(2,216)	Interest and other finance costs	7	(17,286)	(19,054)
3,272	**Profit before tax**		25,518	37,284
(442)	Current tax charge	8	(3,444)	(2,768)
330	Deferred tax credit (charge)	8	2,576	(1,651)
3,160	**Profit after tax**		24,650	32,865
(895)	**Allocated as:Profit attributable to minority interests**		(6,986)	(2,265)
2,265	**Profit attributable to shareholders of the Company**	10	17,664	30,600
946	**Dividends**	9	7,375	7,375
US53.1 cents	**Earnings per share for profit attributable to shareholders of the Company**	10	HK$4.14	HK$7.18

Consolidated Balance Sheet
at 31 December 2008

2008 US$ millions		Note	**2008** HK$ millions	**2007** HK$ millions
	ASSETS			
	Non-current assets			
22,211	Fixed assets	11	173,246	181,342
5,293	Investment properties	12	41,282	43,680
4,455	Leasehold land	13	34,745	36,272
9,253	Telecommunications licences	14	72,175	91,897
1,541	Telecommunications postpaid customer acquisition and retention costs	15	12,022	8,771
3,887	Goodwill	16	30,318	31,520
1,344	Brand names and other rights	17	10,486	10,901
9,805	Associated companies	18	76,478	75,545
5,880	Interests in joint ventures	19	45,865	39,725
1,698	Deferred tax assets	20	13,248	17,619
1,142	Other non-current assets	21	8,904	5,082
3,941	Liquid funds and other listed investments	22	30,735	69,192
70,450			549,504	611,546
	Current assets			
7,344	Cash and cash equivalents	23	57,286	111,307
7,022	Trade and other receivables	24	54,767	55,374
2,375	Inventories		18,528	20,999
16,741			130,581	187,680
	Current liabilities			
10,577	Trade and other payables	25	82,497	90,029
3,070	Bank and other debts	27	23,945	50,255
163	Current tax liabilities		1,275	2,336
13,810			107,717	142,620
2,931	**Net current assets**		22,864	45,060
73,381	**Total assets less current liabilities**		572,368	656,606
	Non-current liabilities			
30,018	Bank and other debts	27	234,141	260,086
1,711	Interest bearing loans from minority shareholders	28	13,348	12,508
1,746	Deferred tax liabilities	20	13,616	17,957
326	Pension obligations	29	2,541	1,468
588	Other non-current liabilities	30	4,586	5,929
34,389			268,232	297,948
38,992	**Net assets**		304,136	358,658
	CAPITAL AND RESERVES			
137	Share capital	31	1,066	1,066
34,681	Reserves		270,510	308,948
34,818	**Total shareholders' funds**		271,576	310,014
4,174	Minority interests		32,560	48,644
38,992	**Total equity**	32	304,136	358,658

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2008

2008 US$ millions		Note	**2008** HK$ millions	**2007** HK$ millions
	Operating activities			
8,056	Cash generated from operating activities before interest and other finance costs, tax paid, **3** Group telecommunications expensed CACs [(a)] and changes in working capital	33 (a)	62,838	86,406
(2,149)	Interest and other finance costs paid		(16,762)	(18,508)
(458)	Tax paid		(3,576)	(2,608)
5,449	Funds from operations before **3** Group telecommunications expensed CACs		42,500	65,290
(443)	**3** Group telecommunications expensed CACs		(3,457)	(5,732)
5,006	**Funds from operations**		39,043	59,558
(663)	Changes in working capital	33 (b)	(5,171)	(4,144)
4,343	**Net cash from operating activities**		33,872	55,414
	Investing activities			
(2,006)	Purchase of fixed assets and investment properties for established businesses		(15,643)	(13,883)
(1,528)	Purchase of fixed assets for **3** Group		(11,921)	(13,969)
(27)	Additions to leasehold land		(214)	(1,104)
(49)	Additions to telecommunications licences		(384)	(86)
(71)	Additions to brand names and other rights		(550)	(572)
(2,171)	Additions to telecommunications postpaid CACs for **3** Group	4	(16,935)	(11,479)
(105)	Additions to telecommunications postpaid CACs for Hutchison Telecommunications International	4	(817)	(346)
4	Purchase of subsidiary companies	33 (c)	28	45,348
(780)	Purchase of minority interests		(6,083)	(706)
(9)	Additions to other unlisted investments		(67)	(1,120)
143	Repayments from associated companies and non-property jointly controlled entities		1,112	1,888
(1,160)	Purchase of and advances (including deposits) to associated companies and jointly controlled entities		(9,047)	(3,361)
357	Proceeds on disposal of fixed assets, leasehold land and investment properties		2,787	825
679	Proceeds on disposal of subsidiary companies	33 (d)	5,294	895
1	Proceeds on disposal of associated companies		6	945
86	Proceeds on disposal of jointly controlled entities		670	1,379
6	Proceeds on disposal of other unlisted investments		50	342
19	Proceeds on disposal of infrastructure project investments		147	66
(103)	Partner Communications Company Ltd's repurchase of its shares		(799)	—
4,230	Disposal of liquid funds and other listed investments		32,993	4,099
(327)	Additions to liquid funds and other listed investments		(2,550)	(1,561)
(2,811)	**Cash flows from (used in) investing activities**		(21,923)	7,600
1,532	**Net cash inflow before financing activities**		11,949	63,014
	Financing activities			
5,290	New borrowings		41,267	52,144
(10,734)	Repayment of borrowings		(83,729)	(59,524)
176	Issue of shares by subsidiary companies to minority shareholders and loans from minority shareholders		1,371	2,573
(2,244)	Dividends paid to minority shareholders		(17,504)	(3,676)
(946)	Dividends paid to shareholders		(7,375)	(7,375)
(8,458)	**Cash flows used in financing activities**		(65,970)	(15,858)
(6,926)	Increase (decrease) in cash and cash equivalents		(54,021)	47,156

14,270	Cash and cash equivalents at 1 January		111,307	64,151
7,344	**Cash and cash equivalents at 31 December**		57,286	111,307
	Analysis of cash, liquid funds and other listed investments			
7,344	Cash and cash equivalents, as above	23	57,286	111,307
3,941	Liquid funds and other listed investments	22	30,735	69,192
11,285	**Total cash, liquid funds and other listed investments**		88,021	180,499
32,549	Total principal amount of bank and other debts	27	253,884	311,279
1,711	Interest bearing loans from minority shareholders	28	13,348	12,508
22,975	**Net debt**		179,211	143,288
(1,711)	Interest bearing loans from minority shareholders		(13,348)	(12,508)
21,264	**Net debt (excluding interest bearing loans from minority shareholders)**		165,863	130,780

(a) CACs represents customer acquisition costs and contract customer retention costs.

Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2008

2008 US$ millions		Note	2008 HK$ millions	2007 HK$ millions
	Available-for-sale investments:			
(399)	Valuation gains (losses) taken to reserves		(3,114)	12,350
(371)	Valuation gains transferred to profit and loss account		(2,893)	(7,746)
	Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
(99)	Gains (losses) taken to reserves		(770)	254
4	Losses transferred to profit and loss account		28	—
(6)	Losses (gains) transferred to initial cost of non-financial items		(45)	35
(5,094)	Exchange translation differences		(39,737)	7,700
(467)	Net actuarial gains (losses) of defined benefit plans		(3,645)	1,506
14	Deferred tax effect on items taken directly to or transferred from reserves		109	(253)
1	Others		10	57
(6,417)	Net income (expense) recognised directly in equity	32	(50,057)	13,903
3,160	Profit after tax		24,650	32,865
(3,257)	Total recognised income and expense	32	(25,407)	46,768
(673)	Allocated as:Attributable to minority interests		(5,250)	(3,702)
(3,930)	Attributable to shareholders of the Company		(30,657)	43,066

Notes to the Accounts

1 Significant accounting policies

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

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2008 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 1(c) and 1(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2008 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 1(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

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

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

(d) Joint ventures

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

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

Notes to the Accounts

1 Significant accounting policies (continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

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

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 - 33%
Container terminal equipment	5 - 20%
Telecommunications equipment	2.5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

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

(f) Investment properties

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

(g) Leasehold land

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

(h) Telecommunications licences

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

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

(i) Telecommunications customer acquisition and retention costs

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

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

1 Significant accounting policies (continued)

(j) Goodwill

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

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

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

(k) Brand names and other rights

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

(l) Deferred tax

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

Loans and receivables

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

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Notes to the Accounts

1 Significant accounting policies (continued)

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

Available-for-sale investments

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

(n) Derivative financial instruments and hedging activities

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

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

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

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

(o) Trade and other receivables

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

(p) Properties under development

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

1 Significant accounting policies (continued)

(q) Inventories

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

(r) Cash and cash equivalents

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

(s) Borrowings and borrowing costs

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

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

(t) Trade and other payables

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

(u) Share capital

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

(v) Provisions

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

(w) Leased assets

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

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

Notes to the Accounts

1 Significant accounting policies (continued)

(x) Asset impairment

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

(y) Pension plans

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

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

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

Pension costs are charged against profit and loss account within staff costs.

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

(z) Share-based payments

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

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(aa) Foreign exchange

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

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

1 Significant accounting policies (continued)

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

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

Property and hotels

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the occupation permit, whichever is later.

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

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

Retail

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

Energy and infrastructure

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

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

Income from infrastructure projects is recognised on a time proportion basis, using the effective interest method.

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

Finance and investments

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

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

Mobile and fixed-line telecommunications services

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

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

Monthly access charge on the provision of fixed-line telecommunications services is recognised on a straight-line basis over the respective period.

Other service income is recognised when the service is rendered.

Notes to the Accounts

1 Significant accounting policies (continued)

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

HKFRSs (Amendments)(1)	Improvements to HKFRSs
HKAS 1 (Revised)(2)	Presentation of Financial Statements
HKAS 23 (Revised)(2)	Borrowing Costs
HKAS 27 (Revised)(3)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)(2)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)(3)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)(2)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or

	Associate
HKFRS 2 (Amendment)(2)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)(3)	Business Combinations
HKFRS 7 (Amendments)(2)	Improving Disclosures about Financial Instruments
HKFRS 8(2)	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)(3)	Embedded Derivatives
HK(IFRIC)-Int 13(2)	Customer Loyalty Programmes
HK(IFRIC)-Int 15(2)	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16(2)	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17(3)	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18(3)	Transfers of Assets from Customers

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

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

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

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

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

2 Critical accounting estimates and judgements

Note 1 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The selection and disclosure of the critical accounting policies, estimates and judgements have been discussed with the Group's Audit Committee. The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

2 Critical accounting estimates and judgements (continued)

(a) Long-lived assets

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

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

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

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

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2008 and 31 December 2007 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2008 and 31 December 2007 indicated that no impairment charge was necessary.

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

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music contents, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Notes to the Accounts

2 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

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

(b) Depreciation and amortisation

(i)

Fixed assets

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

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

(ii)

Telecommunications licences

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

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

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

(iii)

Telecommunications customer acquisition and retention costs

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

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

2 Critical accounting estimates and judgements (continued)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment test described above. The results of the tests undertaken as at 31 December 2008 and 31 December 2007 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industries' growth or our expectation of these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 11%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(d) Investment properties

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

(e) Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to profit and loss account.

(e) Tax (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's 3G operation in the UK where, among other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. No deferred tax assets have been recognised for the unused tax losses carried forward by the Group's other 3G operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for 3 UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to profit and loss account if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

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

(f) Pension costs

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

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

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

(g) Sale and leaseback transactions

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

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

3 Turnover and revenue

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

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

4 Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information (see notes 18 and 19).

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

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

Business segment

Revenue

	Company and Subsidiaries	**Associates and JCE**	**2008 Total**		**Company and Subsidiaries**	**Associates and JCE**	**2007 Total**	
	HK$ millions	HK$ millions	HK$ millions	%[(a)]	HK$ millions	HK$ millions	HK$ millions	%[(a)]
ESTABLISHED BUSINESSES								
Ports and related services	34,872	4,722	39,594	14%	33,207	4,684	37,891	15%
Property and hotels	5,445	5,022	10,467	4%	5,317	4,234	9,551	4%
Retail	98,946	19,541	118,487	41%	94,663	15,344	110,007	44%
Cheung Kong Infrastructure	2,875	16,993	19,868	7%	2,403	14,848	17,251	7%
Husky Energy	—	63,350	63,350	22%	—	39,781	39,781	16%
Finance & Investments	3,836	467	4,303	1%	5,080	431	5,511	2%
Hutchison Telecommunications International	24,674	3	24,677	9%	12,618	8,161	20,779	8%
Others	4,981	2,266	7,247	2%	6,014	2,081	8,095	4%

Subtotal - Established businesses	175,629	112,364	287,993	100%	159,302	89,564	248,866	100%
TELECOMMUNICATIONS - 3 Group	59,832	540	60,372		59,424	485	59,909	
	235,461	112,904	348,365		218,726	90,049	308,775	

Notes to the Accounts

4 Segment information (continued)

Business segment (continued)

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

associated companies and jointly controlled entities:						
Interest and other finance costs	—	(3,222)	(3,222)	—	(3,446)	(3,446)
Current tax	—	(3,886)	(3,886)	—	(2,532)	(2,532)
Deferred tax	—	(2,256)	(2,256)	—	(1,579)	(1,579)
Minority interests	—	22	22	—	(365)	(365)
	21,874	20,930	42,804	5,178	51,160	56,338

4 Segment information (continued)

Business segment (continued)

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

Notes to the Accounts

4 Segment information (continued)

Business segment (continued)

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	Telecom-munications postpaid CACs	2008 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	9,502	—	—	—	9,502
Property and hotels	89	—	—	—	89
Retail	1,686	—	—	—	1,686
Cheung Kong Infrastructure	92	—	—	—	92
Husky Energy	—	—	—	—	—
Finance & Investments	14	—	—	—	14
Hutchison Telecommunications International	4,390	—	129	817	5,336
Others	84	—	—	—	84
Subtotal - Established businesses	15,857	—	129	817	16,803
TELECOMMUNICATIONS - 3 Group [(g)]	11,921	384	421	16,935	29,661
	27,778	384	550	17,752	46,464

	Capital expenditure				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	Telecom-munications postpaid CACs	2007 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	9,404	—	—	—	9,404
Property and hotels	89	—	—	—	89
Retail	1,843	—	—	—	1,843

Cheung Kong Infrastructure	183	—	—	—	183
Husky Energy	—	—	—	—	—
Finance & Investments	50	—	—	—	50
Hutchison Telecommunications International	3,316	—	36	346	3,698
Others	102	—	—	—	102
Subtotal - Established businesses	14,987	—	36	346	15,369
TELECOMMUNICATIONS - 3 Group [(g)]	13,969	86	536	11,479	26,070
	28,956	86	572	11,825	41,439

4 Segment information (continued)

Business segment (continued)

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

	Total liabilities							
	Segment liabilities[(j)]	Current & non-current borrowings[(k)] and other non-current liabilities	Current & deferred tax liabilities	2008 Total liabilities	Segment liabilities[(j)]	Current & non-current borrowings[(k)] and other non-current liabilities	Current & deferred tax liabilities	2007 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	17,467	44,106	5,999	67,572	17,474	44,243	6,753	68,470
Property and hotels	2,165	732	5,791	8,688	2,162	837	5,751	8,750
Retail	19,792	7,237	221	27,250	17,891	28,239	490	46,620
Cheung Kong Infrastructure	1,406	6,793	1,183	9,382	1,435	7,766	1,430	10,631
Husky Energy	—	—	—	—	—	—	3,316	3,316
Finance & Investments	3,501	63,522	618	67,641	4,550	63,618	735	68,903
Hutchison Telecommunications International	8,811	13,726	561	23,098	8,395	13,668	695	22,758
Others	1,932	516	226	2,674	3,714	645	807	5,166
Subtotal - Established	55,074	136,632	14,599	206,305	55,621	159,016	19,977	234,614

businesses								
TELECOMMUNI CATIONS - 3	29,964	139,388	292	169,644	35,876	169,762	316	205,954
Group	85,038	276,020	14,891	375,949	91,497	328,778	20,293	440,568

Notes to the Accounts

4 Segment information (continued)

Geographical segment

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

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

4 Segment information (continued)

Geographical segment (continued)

	Capital expenditure (g)				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	Telecom-munications postpaid CACs	2008 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	1,823	—	129	817	2,769
Mainland China	1,848	—	—	—	1,848
Asia and Australia	5,659	—	—	1,972	7,631
Europe	15,799	384	421	14,963	31,567

Americas and others	2,649	—	—	—	2,649
	27,778	384	550	17,752	46,464

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

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

Notes to the Accounts

4 Segment information (continued)

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

(b) Earnings (losses) before interest expense and tax ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit (loss) from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

"EBIT - Established businesses" and "EBIT (LBIT) - Telecommunications - **3** Group" are presented before the change in fair value of investment properties and profit (loss) on disposal of investments and others.

(c) Included in EBIT of Property and hotels in 2008 is a gain of HK$2,141 million (2007 - nil) on disposal of subsidiaries, whose principal asset is an investment property, by a listed subsidiary, HHR. The result of operations of HHR, other than this gain, is presented under Others.

(d) Included in EBIT of Finance & Investments in 2008 is the one-time profits on disposal of certain listed equity investments of HK$2,084 million (2007 - HK$9,754 million).

(e) Included in EBIT of Hutchison Telecommunications International in 2008 are contributions from certain suppliers amounting to HK$731 million (2007 - nil) in relation to its Indonesian operations.

(f) Included in EBIT (LBIT) of Telecommunications - **3** Group in 2008 are foreign exchange gains totalling HK$2,945 million (2007 - HK$1,898 million) which mainly comprise a HK$586 million (2007 - HK$1,123 million) gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK$2,359 million (2007 - HK$775 million) gain arising from the Group's refinancing of certain non-Euro borrowings with Euro bank loans, and a release of provision of HK$1,076 million (2007 - nil) that had been set up in prior year for certain onerous operating leases. During the current year, **3** Group has engaged negotiation with the new owner of certain leased properties and as a result of the negotiation new lease contracts have been signed with the new owner that superseded the original operating lease contracts signed with the previous owner of these properties on which a provision of HK$2,265 million for onerous operating leases was made in prior year. Based on the terms of the new contracts the Group has revised the assessment of the least net cost of exiting from leases in respect of these properties and found a provision of

HK$1,076 million to be no longer required, and have recognised it in current year's profit and loss account.

(g) Included in capital expenditures of Telecommunications - **3** Group in 2008 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2008 which has an effect of decreasing total expenditure by HK$1,062 million (2007 - increasing total expenditure by HK$1,433 million).

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

(i) Included in total assets of Telecommunications - **3** Group is an unrealised foreign currency exchange loss arising in 2008 of HK$28,861 million (2007 - gain of HK$8,924 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

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

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

5 Profit (loss) on disposal of investments and others

	2008	2007
	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES		
Group's share of Husky´s gain on partial disposal in a resource property [a]	3,122	—
Gain on disposal of minority equity interests in certain ports to strategic partners	2,037	—
Profit on disposal of certain telecommunications tower assets in Indonesia [b]	1,421	—
Group´s share of HTIL´s gain on disposal of CGP [c]	—	35,820
HTIL´s full provision for its investment in the mobile business in Thailand [d]	—	(3,854)
Loss on CKI's disposal of a toll road infrastructure investment in Mainland China and CKI's provision for a toll road infrastructure investment in Australia [e]	—	(1,513)
TELECOMMUNICATIONS - 3 Group		
Profit on disposal of 3 UK´s wholesale fixed line business	—	1,119
Deemed dilution profit arising from HTAL restructuring with a minority shareholder [f]	—	955
Write-off of customer acquisition and retention costs and content and other similar rights [g]	—	(4,608)
Provision mainly for disputed receivables relating to **3** UK and **3** Italia´s interconnection disputes	—	(3,281)
Gain of HK$19,788 million arising from a network sharing arrangement whereby **3** UK obtains a right to share another UK operator´s mobile network offset by a one-time provision of HK$19,788 million for related costs to restructure its network infrastructure [h]	—	—
	6,580	24,638

(a) Husky Energy ("Husky"), a Canadian listed associated company, formed an integrated oil sands joint venture with a third party and contributed its Sunrise oil sands property to the joint venture in exchange for a 50% equity interest in the joint venture. The Group's share of Husky's gain on partial disposal of 50% of its Sunrise oil sands property represents the Group's share of this gain under HKFRS.

(b) Profit on disposal of certain telecommunications tower assets represents the profit on the sale by listed subsidiary, Hutchison Telecommunications International ("HTIL"), of certain mobile telecommunications tower assets in Indonesia.

(c) The Group's share of HTIL gain on disposal of CGP Investments (Holdings) Limited ("CGP") represented the Group's share of the disposal gain of HTIL, a listed associated company of the Group at the time of the transaction, on the sale of CGP, which indirectly held its entire interest in its mobile business in India.

(d) In view of the continuing difficulties faced by its mobile telecommunications operation in Thailand, the Group's listed subsidiary, HTIL recognised an impairment charge of HK$3,854 million for its Thailand operation, mainly in respect of telecommunications network assets.

(e) This amount represents the Group's loss after asset valuation consolidation adjustments arising from listed subsidiary, Cheung Kong Infrastructure's ("CKI") sale of its entire equity and loan interests in Guangzhou ESW Ring Road and CKI's provision for investments in securities of an infrastructure project in Australia.

(f) Deemed dilution profit arose in connection with the issuance of new equity by the Group's listed subsidiary, Hutchison Telecommunications Australia Limited ("HTAL"), to acquire from a minority shareholder all the remaining interests in Hutchison 3G Australia, its then non-wholly owned subsidiary.

(g) Write-off of customer acquisition and retention costs and content and other similar rights mainly comprised write-off of certain capitalised acquisition costs relating to customers migrating to lower tariff plans following a decision to discontinue certain promotional tariff plan offerings and write-off of capitalised intangible content costs relating to content that are less active.

(h) In December 2007, **3** UK entered into a network sharing agreement with another UK mobile communications operator. **3** UK's right to share the other UK mobile communications operator's mobile network assets gave rise to a gain of HK$19,788 million. This gain had been offset by the related costs to restructure **3** UK's network infrastructure of the same amount, comprising a decommissioning charge against fixed assets of HK$11,060 million (see note 11), restructuring provision of HK$4,685 million (see note 26) and write off of prepayments amounting to HK$4,043 million.

Notes to the Accounts

6 Directors´ emoluments

Directors´ emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company´s listed subsidiaries and paid to the Company. The amounts paid to each director for both 2008 and 2007 are as below:

	2008					
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
Name of directors	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
LI Ka-shing [(a)] [(f)]	0.05	—	—	—	—	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	32.40	—	—	36.96
Paid by Cheung Kong Infrastructure	0.07	—	9.90	—	—	9.97
Paid to the Company	(0.07)	—	—	—	—	(0.07)
	0.12	4.44	42.30	—	—	46.86
FOK Kin-ning, Canning [(b)]	0.12	10.26	120.79	2.13	—	133.30
CHOW WOO Mo Fong, Susan [(b)]	0.12	7.64	28.08	1.55	—	37.39
Frank John SIXT [(b)]	0.18	7.63	26.88	0.67	—	35.36
LAI Kai Ming, Dominic [(b)]	0.12	5.18	23.75	0.98	—	30.03
KAM Hing Lam [(b)]						
Paid by the Company	0.12	2.25	6.12	—	—	8.49
Paid by Cheung Kong Infrastructure	0.07	4.20	4.32	—	—	8.59
Paid to the Company	(0.07)	(4.20)	—	—	—	(4.27)
	0.12	2.25	10.44	—	—	12.81
George Colin MAGNUS [(d)]						
Paid by the Company	0.12	—	—	—	—	0.12
Paid by Cheung Kong Infrastructure	0.07	—	—	—	—	0.07
	0.19	—	—	—	—	0.19
William SHURNIAK [(d)] [(e)]	0.25	—	—	—	—	0.25
Michael David KADOORIE [(c)]	0.12	—	—	—	—	0.12
Holger KLUGE [(c)] [(e)] [(f)]	0.31	—	—	—	—	0.31
OR Ching Fai, Raymond [(c)]	0.12	—	—	—	—	0.12
WONG Chung Hin [(c)] [(e)] [(f)]	0.31	—	—	—	—	0.31
Total	2.13	37.40	252.24	5.33	—	297.10

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2007 - HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

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

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$860,000 (2007 - HK$900,000).

(d) Non-executive director.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

(g) Resigned on 17 May 2007.

6 Directors´ emoluments (continued)

	2007					
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
Name of directors	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
LI Ka-shing [(a)] [(f)]	0.05	—	—	—	—	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	36.00	—	—	40.56
Paid by Cheung Kong Infrastructure	0.07	—	11.00	—	—	11.07
Paid to the Company	(0.07)	—	—	—	—	(0.07)

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

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2007 - nil).

In 2008, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$6.37 million; provident fund contribution - HK$0.48 million; and bonus - HK$27.72 million. In 2007, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$5.95 million; provident fund contribution - HK$0.46 million; and bonus - HK$30.80 million.

Notes to the Accounts

7 Interest and other finance costs

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

(a) Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future, and amortisation of upfront facility fees.

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

8 Tax

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

Hong Kong profits tax has been provided for at the rate of 16.5% (2007 - 17.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, no deferred tax asset has been recognised for the losses of **3** Group (2007 - nil) (see note 20).

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

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

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

Notes to the Accounts

8 Tax

	Established businesses	**Telecom-munications - 3 Group**	**2007 Total**
	HK$ millions	HK$ millions	HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	4,638	(10,249)	(5,611)
Tax effect of:			
Tax losses not recognised	863	9,403	10,266
Tax incentives	(450)	—	(450)
Income not subject to tax	(1,766)	(5)	(1,771)
Expenses not deductible for tax purposes	1,274	170	1,444
Recognition of previously unrecognised tax losses	(30)	—	(30)
Utilisation of previously unrecognised tax losses	(24)	(95)	(119)
Under provision in prior years	133	—	133
Deferred tax assets written off	365	—	365
Other temporary differences	67	727	794
Effect of change in tax rate	(536)	(66)	(602)
Total tax for the year	4,534	(115)	4,419

9 Dividends

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

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

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$17,664 million (2007 - HK$30,600 million) and on 4,263,370,780 shares in issue during 2008 (2007 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company´s subsidiary and associated companies have employee share options outstanding as at 31 December 2008. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2008 did not have a dilutive effect on earnings per share.

11 Fixed assets

	Land and buildings	Telecom-munications network assets	Other assets	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Cost				
At 1 January 2007	34,291	89,230	88,692	212,213
Additions	4,364	4,612	18,848	27,824
Disposals	(376)	(14,266)	(2,499)	(17,141)
Relating to subsidiaries acquired	498	29,307	7,325	37,130
Relating to subsidiaries disposed of	—	—	(78)	(78)
Revaluation upon transfer to investment properties	4	—	—	4
Transfer from (to) other assets	5	(123)	369	251
Transfer between categories/investment properties/leasehold land	1,015	4,664	(5,727)	(48)
Non-cash additions relating to **3** UK network sharing agreement[(a)]	—	19,788	—	19,788
Exchange translation differences	581	5,768	4,467	10,816
At 1 January 2008	40,382	138,980	111,397	290,759
Additions	4,588	6,105	16,854	27,547
Disposals	(407)	(1,822)	(2,155)	(4,384)
Relating to subsidiaries acquired	172	—	1,109	1,281
Relating to subsidiaries disposed of	(136)	(142)	(263)	(541)
Revaluation upon transfer to investment properties	5	—	—	5
Transfer from (to) other assets	59	(36)	184	207
Transfer between categories/investment properties/leasehold land	81	8,656	(8,686)	51
Exchange translation differences	(2,921)	(16,324)	(8,235)	(27,480)
At 31 December 2008	41,823	135,417	110,205	287,445

Notes to the Accounts

11 Fixed assets (continued)

	Land and buildings	Telecom-munications network assets	Other assets	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Accumulated depreciation and impairment				
At 1 January 2007	8,069	18,507	45,456	72,032
Charge for the year	1,025	4,638	11,953	17,616
Decommissioning charge relating to **3** UK network sharing agreement[(a)]	—	11,060	—	11,060
Impairment recognised[(b)]	—	2,938	756	3,694
Disposals	(264)	(14,250)	(1,849)	(16,363)
Relating to subsidiaries acquired	34	12,528	4,336	16,898
Relating to subsidiaries disposed of	—	—	(43)	(43)
Transfer from other assets	—	3	78	81
Transfer between categories/investment properties/leasehold land	507	(24)	(410)	73
Exchange translation differences	171	1,425	2,773	4,369
At 1 January 2008	9,542	36,825	63,050	109,417
Charge for the year	1,151	8,364	7,753	17,268
Disposals	(355)	(956)	(1,827)	(3,138)
Relating to subsidiaries acquired	50	—	402	452
Relating to subsidiaries disposed of	(129)	(62)	(182)	(373)
Transfer between categories/investment properties/leasehold land	68	2,844	(2,913)	(1)
Exchange translation differences	(753)	(3,851)	(4,822)	(9,426)
At 31 December 2008	9,574	43,164	61,461	114,199
Net book value				
At 31 December 2008	32,249	92,253	48,744	173,246
At 31 December 2007	30,840	102,155	48,347	181,342

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

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

Land and buildings include projects under development in the amount of HK$4,229 million (2007 - HK$3,136 million).

Cost and net book value of fixed assets include HK$135,381 million (2007 - HK$145,081 million) and HK$90,212 million (2007 - HK$101,841 million) respectively, relating to **3** Group. Impairment tests were undertaken at 31 December 2008 and 31 December 2007 to assess whether the carrying value of the Group´s 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective businesses. Note 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2008 and 31 December 2007 indicated that no impairment charge was necessary.

12 Investment properties

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

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

The Group´s investment properties comprise:

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

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

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

Notes to the Accounts

13 Leasehold land

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

The Group´s leasehold land comprises:

	2008 HK$ millions	2007 HK$ millions
Hong Kong		
Long leasehold	1,550	1,566

Medium leasehold	12,945	13,277
Outside Hong Kong		
Long leasehold	1,274	1,175
Medium leasehold	18,921	20,252
Short leasehold (less than 10 years)	55	2
	34,745	36,272

14 Telecommunications licences

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

(a) Impairment charge represents provision for HTIL´s Thailand operation (see note 5).

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2008 and 31 December 2007 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2008 and 31 December 2007 indicated that no impairment charge was necessary.

15 Telecommunications postpaid customer acquisition and retention costs

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

Notes to the Accounts

16 Goodwill

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

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

In accordance with the Group´s accounting policy on asset impairment (see note 1(x)), the carrying values of goodwill were tested for impairment as at 31 December 2008 and 31 December 2007. Note 2(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2008 and 31 December 2007 indicated no impairment charge was necessary.

17 Brand names and other rights

	Brand names	**Other rights**	**Total**
	HK$ millions	HK$ millions	HK$ millions
Net book value			
At 1 January 2008	1,960	8,941	10,901
Additions	228	550	778
Transfer from other assets	—	17	17
Amortisation for the year	(7)	(1,016)	(1,023)
Write off for the year	—	(67)	(67)
Exchange translation differences	(131)	11	(120)
At 31 December 2008	2,050	8,436	10,486
Cost	2,057	15,883	17,940
Accumulated amortisation	(7)	(7,447)	(7,454)
	2,050	8,436	10,486

17 Brand names and other rights (continued)

	Brand names	**Other rights**	**Total**
	HK$ millions	HK$ millions	HK$ millions
Net book value			
At 1 January 2007	1,835	5,747	7,582
Additions	—	572	572
Relating to subsidiaries acquired	—	4,660	4,660
Transfer from other assets	—	40	40
Amortisation for the year	—	(1,131)	(1,131)
Write off for the year	—	(1,757)	(1,757)
Exchange translation differences	125	810	935
At 31 December 2007	1,960	8,941	10,901
Cost	1,960	15,457	17,417
Accumulated amortisation	—	(6,516)	(6,516)
	1,960	8,941	10,901

The brand names as at 31 December 2008 primarily resulted from the acquisitions of Marionnaud and Merchant Retail group in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management´s long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2008 and 31 December 2007 and the results of the tests indicated no impairment charge was necessary.

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

18 Associated companies

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

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

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

Notes to the Accounts

18 Associated companies (continued)

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

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

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

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

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

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

19 Interests in joint ventures

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

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

Particulars regarding the principal jointly controlled entities are set forth on pages 193 to 198.

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

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

Notes to the Accounts

19 Interests in joint ventures (continued)

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

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

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

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

20 Deferred tax

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

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

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

Analysis of net deferred tax assets (liabilities):

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

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

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

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

Notes to the Accounts

20 Deferred tax (continued)

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

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

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

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

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

21 Other non-current assets

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

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2008 is 3.1% (2007 - 5.5%).

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

22 Liquid funds and other listed investments

	2008	**2007**
	HK$ millions	HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	19,928	46,444
Listed debt securities, outside Hong Kong	5,245	5,514
Listed equity securities, Hong Kong	840	6,312
Listed equity securities, outside Hong Kong	3,740	5,685

	29,753	63,955
Loans and receivables		
Long term deposits	65	4,196
Financial assets at fair value through profit or loss	917	1,041
	30,735	69,192

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

	2008 HK$ millions	**2007** HK$ millions
Listed debt securities	19,592	45,877
Cash and cash equivalents	336	567
	19,928	46,444

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2008 was HK$30,670 million (2007 - HK$64,996 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2008 was 4.9% (2007 - 5.2%).

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

	2008			**2007**		
	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale investments	Loans and receivables	Financial assets at fair value through profit or loss
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
HK dollars	3%	—	—	10%	11%	—
US dollars	68%	—	78%	73%	87%	75%
Euro	18%	—	—	9%	—	—
Others	11%	100%	22%	8%	2%	25%
	100%	100%	100%	100%	100%	100%

Notes to the Accounts

22 Liquid funds and other listed investments (continued)

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

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

23 Cash and cash equivalents

	2008 HK$ millions	**2007** HK$ millions
Cash at bank and in hand	16,835	13,650

Short term bank deposits	40,451	97,657
	57,286	111,307

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

24 Trade and other receivables

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

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

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

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

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

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

Notes to the Accounts

25 Trade and other payables

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

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

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

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

26 Provisions

	Restructuring and closure provision	Assets retirement	Others	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2007	910	615	441	1,966
Additions	4,720	75	1,030	5,825
Interest accretion	—	46	—	46
Utilisations	(221)	(8)	(226)	(455)
Write back	(56)	—	(176)	(232)
Relating to subsidiaries acquired	48	125	2	175
Relating to subsidiaries disposed of	(8)	—	(39)	(47)
Exchange translation differences	17	36	22	75
At 1 January 2008	5,410	889	1,054	7,353
Additions	64	177	432	673
Interest accretion	75	62	—	137
Utilisations	(573)	(1)	(400)	(974)
Write back (See note 4(f))	(1,082)	(28)	(61)	(1,171)
Relating to subsidiaries disposed of	—	(2)	—	(2)
Exchange translation differences	(1,205)	(99)	(6)	(1,310)
At 31 December 2008	2,689	998	1,019	4,706

Provisions analysed as:

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

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

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

Notes to the Accounts

27 Bank and other debts

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

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

27 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2008			2007		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions

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

Notes to the Accounts

27 Bank and other debts (continued)

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

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

27 Bank and other debts (continued)

The bank and other debts of the Group are secured to the extent of HK$10,293 million (2007 - HK$24,367 million) of which HK$2,615 million

(2007 - HK$10,147 million) and nil (2007 - HK$3,878 million) are non-guaranteed and guaranteed loans respectively for 3G businesses.

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

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

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

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

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

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

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

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

In addition, interest rate swap agreements with notional amount of HK$3,013 million (2007 — HK$3,845 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. The agreements have fixed interest payments at rates ranging from 5.3% to 6.8% with expiry in 2010.

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

Notes to the Accounts

27 Bank and other debts (continued)

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

		2008			**2007**	
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Fair value hedges - Interest rate swaps						
Derivative financial assets (See notes 21 and 24)	—	4,188	4,188	100	277	377
Derivative financial liabilities (See notes 25 and 30)	—	—	—	(3)	(264)	(267)
	—	4,188	4,188	97	13	110
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (See notes 21 and 24)	—	—	—	—	55	55
Forward foreign exchange contracts (See notes 21 and 24)	281	624	905	88	—	88
	281	624	905	88	55	143
Derivative financial liabilities Interest rate swaps	—	(50)	(50)	—	—	—

(See note 30)						
Cross currency interest rate swaps (See notes 25 and 30)	(8)	(4)	(12)	—	(22)	(22)
Forward foreign exchange contracts (See notes 25 and 30)	(22)	—	(22)	(111)	(187)	(298)
	(30)	(54)	(84)	(111)	(209)	(320)
	251	570	821	(23)	(154)	(177)

28 Interest bearing loans from minority shareholders

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

The carrying amount of the borrowings approximates their fair value.

29 Pension plans

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

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

(a) Defined benefit plans

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

The Group´s major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2008 and 31 December 2007 using the projected unit credit method to account for the Group´s pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

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

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

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

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

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

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

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

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

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

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

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

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

Fair value of the plan assets are analysed as follows:

	2008 Percentage	**2007** Percentage
Equity instruments	49%	55%
Debt instruments	43%	36%
Other assets	8%	9%
	100%	100%

The experience adjustments are as follows:

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

Notes to the Accounts

29 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2008. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group´s pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group´s major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong´s Occupational Retirement Schemes Ordinance (“ORSO”), at 30 June 2006 reported a funding level of 108% of the accrued actuarial liabilities on an ongoing basis. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2008 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$29 million (2007 - HK$36 million) were used to reduce the current year´s level of contributions and HK$3 million was available at 31 December 2008 (2007 - HK$5 million) to reduce future years´ contributions.

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

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

The Group operates two defined benefit pension plans for part of its retail operations in the United Kingdom. One was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2006. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 90%. The sponsoring employer made a cash injection of £6.0m in June 2007 towards the shortfall being corrected within three years. The main assumptions in the valuation are an investment return of 4.7% to 6.3% per annum and pensionable salary increases of 3.25% to 4.25% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited.

The Group’s other defined benefit retirement plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2005. The plan is final salary in nature with a money purchase underpin arrangement. The plan was closed to new entrants on 1 April 2001 and on 31 December 2008 the plan ceased accrual for the remaining four active members. Shortly before the year end, the Trustees purchased an insurance policy in respect of all members’ benefits that will match future benefit payments, and as such the plan assets will equal the plan liabilities going forward. The annuity policy is currently retained by the Trustees as an investment of the plan, but the respective employer and Trustees may agree to convert the policy to individual member policies at a future date in order that the plan can be wound up.

29 Pension plans (continued)

(b) Defined contribution plans

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

30 Other non-current liabilities

	2008	2007

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

31 Share capital

	2008 Number of shares	**2007** Number of shares	**2008** HK$ millions	**2007** HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	4,263,370,780	4,263,370,780	1,066	1,066

Notes to the Accounts

32 Equity

	Share capital	**Share premium**[(a)]	**Exchange reserve**	**Other reserves**[(b)]	**Retained profit**	**Total shareholders´ funds**	**Minority interests**	**Total equity**
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2008	1,066	28,359	28,954	8,563	243,072	310,014	48,644	358,658
Available-for-sale investments:								
Valuation losses taken to reserves	—	—	—	(2,837)	—	(2,837)	(277)	(3,114)
Valuation gains transferred to profit and loss account	—	—	—	(2,870)	—	(2,870)	(23)	(2,893)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:								
Losses taken to reserves	—	—	—	(660)	—	(660)	(110)	(770)
Losses transferred to profit and loss account	—	—	—	17	—	17	11	28
Gains transferred to initial cost of non-financial items	—	—	—	(45)	—	(45)	—	(45)
Exchange translation differences	—	—	(38,917)	—	—	(38,917)	(820)	(39,737)
Net actuarial losses of defined benefit plans	—	—	—	—	(3,130)	(3,130)	(515)	(3,645)
Others:								
Surplus on revaluation of properties upon transfer from other properties to investment properties	—	—	—	8	—	8	2	10
Transfer to retained profit upon maturity of convertible bonds	—	—	—	(8)	8	—	—	—

of an associated company								
Deferred tax effect on items taken directly to or transferred from reserves	—	—	—	—	113	113	(4)	109
Net expense recognised directly in equity	—	—	(38,917)	(6,395)	(3,009)	(48,321)	(1,736)	(50,057)
Profit after tax	—	—	—	—	17,664	17,664	6,986	24,650
Total recognised income and expense	—	—	(38,917)	(6,395)	14,655	(30,657)	5,250	(25,407)
Dividends paid relating to 2007	—	—	—	—	(5,201)	(5,201)	—	(5,201)
Dividends paid relating to 2008	—	—	—	—	(2,174)	(2,174)	—	(2,174)
Dividends paid to minority interests	—	—	—	—	—	—	(16,582)	(16,582)
Equity contribution from minority interests	—	—	—	—	—	—	350	350
Capitalisation of loan from minority interests	—	—	—	—	—	—	792	792
Share option scheme	—	—	—	10	—	10	38	48
Share option lapsed	—	—	—	(37)	37	—	—	—
Unclaimed dividends write back	—	—	—	—	5	5	—	5
Relating to repurchase of shares from minority shareholders	—	—	—	—	—	—	(508)	(508)
Relating to subsidiary companies acquired	—	—	—	—	—	—	(320)	(320)
Purchase of minority interests	—	—	—	—	—	—	(5,327)	(5,327)
Relating to disposal of subsidiary companies	—	—	(263)	(158)	—	(421)	223	(198)
At 31 December 2008	1,066	28,359	(10,226)	1,983	250,394	271,576	32,560	304,136

32 Equity (continued)

	Share capital	**Share premium[(a)]**	**Exchange reserve**	**Other reserves[(b)]**	**Retained profit**	**Total shareholders' funds**	**Minority interests**	**Total equity**
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2007	1,066	28,359	21,801	3,807	218,761	273,794	16,771	290,565
Available-for-sale investments:								
Valuation gains taken to reserves	—	—	—	12,045	—	12,045	305	12,350
Valuation gains transferred to profit and loss account	—	—	—	(7,722)	—	(7,722)	(24)	(7,746)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:								
Gains taken to reserves	—	—	—	216	—	216	38	254
Losses transferred to initial cost of non-financial items	—	—	—	34	—	34	1	35
Exchange translation differences	—	—	6,788	—	—	6,788	912	7,700
Net actuarial gains	—	—	—	—	1,292	1,292	214	1,506

of defined benefit plans								
Others:								
Valuation gains arising from business combination taken to reserves	—	—	—	32	—	32	29	61
Share of other reserve movement of an associate company	—	—	—	—	(7)	(7)	(1)	(8)
Surplus on revaluation of properties upon transfer from other properties to investment properties	—	—	—	3	—	3	1	4
Deferred tax effect on items taken directly to or transferred from reserves	—	—	—	—	(215)	(215)	(38)	(253)
Net income recognised directly in equity	—	—	6,788	4,608	1,070	12,466	1,437	13,903
Profit after tax	—	—	—	—	30,600	30,600	2,265	32,865
Total recognised income and expense	—	—	6,788	4,608	31,670	43,066	3,702	46,768
Dividends paid relating to 2006	—	—	—	—	(5,201)	(5,201)	—	(5,201)
Dividends paid relating to 2007	—	—	—	—	(2,174)	(2,174)	—	(2,174)
Dividends paid to minority interests	—	—	—	—	—	—	(4,064)	(4,064)
Equity contribution from minority interests	—	—	—	—	—	—	438	438
Capitalisation of loan from minority interests	—	—	—	—	—	—	1,099	1,099
Share option scheme	—	—	—	76	—	76	104	180
Share option lapsed	—	—	—	(8)	8	—	—	—
Unclaimed dividends write back	—	—	—	—	8	8	—	8
Relating to subsidiary companies acquired	—	—	—	—	—	—	29,595	29,595
Relating to partial disposal of subsidiary companies	—	—	432	—	—	432	994	1,426
Relating to disposal of an associated company and jointly controlled entities	—	—	(67)	80	—	13	5	18
At 31 December 2007	1,066	28,359	28,954	8,563	243,072	310,014	48,644	358,658

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

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2008, revaluation reserve surplus amounted to HK$2,444 million (1 January 2008 - HK$8,145 million and 1 January 2007 - HK$3,787 million), hedging reserve deficit amounted to HK$523 million (1 January 2008 - surplus of HK$167 million and 1 January 2007 - deficit of HK$163 million) and other capital reserves surplus amounted to HK$62 million (1 January 2008 - HK$251 million and 1 January 2007 - HK$183 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cashflow hedges are included in the hedging reserve.

(c) The Group's share of exchange reserve of associated companies and jointly controlled entities are losses of HK$6,945 million (2007 - gains of HK$2,749 million) and gains of HK$997 million (2007 - HK$1,197 million) respectively. The Group's share of actuarial gains and losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to losses of HK$1,104 million (2007 - gains of HK$96 million) and HK$10 million (2007 - gains of HK$9 million) respectively.

Capital management

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

At 31 December 2008, total equity amounted to HK$304,136 million (2007 - HK$358,658 million), and consolidated net debt of the Group, excluding loans from minority shareholders which are viewed as quasi equity, was HK$165,863 million (2007 - HK$130,780 million). The Group's net debt to net total capital ratio increased to 34% from 26% at the end of last year.

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

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

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

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

33 Notes to consolidated cash flow statement

(a) Reconciliation of profit after tax to cash generated from operating activities before interest and other finance costs, tax paid, **3** Group telecommunications expensed CACs[a] and changes in working capital

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

a CACs represents customer acquisition costs and contract customer retention costs.

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

Notes to the Accounts

33 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

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

(c) Purchase of subsidiary companies

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

33 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

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

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

(d) Disposal of subsidiary companies

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

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

Notes to the Accounts

34 Share-based payments

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

35 Pledge of assets

At 31 December 2008, assets of the Group totalling HK$10,857 million (2007 - HK$30,700 million) were pledged as security for bank and other debts.

36 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities of HK$4,334 million (2007 - HK$7,352 million).

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

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

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

37 Commitments

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

Capital commitments

1. Contracted for:

i. Container terminals, Hong Kong - HK$13 million (2007 - HK$60 million)

ii. Container terminals, Mainland China - HK$1,176 million (2007 - HK$2,422 million)

iii. Container terminals, others - HK$3,774 million (2007 - HK$3,620 million)

iv. Telecommunications - **3** Group - HK$3,635 million (2007 - HK$5,840 million)

v. Telecommunications - HK$1,612 million (2007 - HK$3,070 million)

vi. Investment properties outside Hong Kong - nil (2007 - HK$2 million)

vii. Investment in Joint Ventures outside Hong Kong - HK$75 million (2007 - HK$830 million)

viii. Other fixed assets - HK$355 million (2007 - HK$664 million)

37 Commitments (continued)

Capital commitments (continued)

2. Authorised but not contracted for:

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

i. Container terminals, Hong Kong - nil (2007 - HK$380 million)

ii. Container terminals, Mainland China - nil (2007 - HK$4,750 million)

iii. Container terminals, others - nil (2007 - HK$14,997 million)

iv. Telecommunications - **3** Group - HK$5,144 million (2007 - HK$11,656 million)

v. Telecommunications - nil (2007 - HK$4,673 million)

vi. Investment properties outside Hong Kong - nil (2007 - HK$949 million)

vii. Investment in Joint Ventures, Hong Kong - HK$131 million (2007 - nil)

viii. Investment in Joint Ventures outside Hong Kong - HK$635 million (2007 - HK$176 million)

ix. Other fixed assets - HK$1,288 million (2007 - HK$8,066 million)

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

Established Businesses

1. In the first year - HK$7,584 million (2007 - HK$8,075 million)

2. In the second to fifth years inclusive - HK$21,244 million (2007 - HK$21,329 million)

3. After the fifth year - HK$43,895 million (2007 - HK$46,122 million)

Telecommunications - **3** Group

1. In the first year - HK$2,259 million (2007 - HK$2,495 million)

2. In the second to fifth years inclusive - HK$6,362 million (2007 - HK$7,213 million)

3. After the fifth year - HK$8,895 million (2007 - HK$11,847 million)

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

Established Businesses

1. In the first year - HK$624 million (2007 - HK$422 million)

2. In the second to fifth years inclusive - HK$2,434 million (2007 - HK$312 million)

3. After the fifth year - HK$3,630 million (2007 - HK$142 million)

Telecommunications - **3** Group

1. In the first year - HK$32 million (2007 - HK$27 million)

2. In the second to fifth years inclusive - HK$19 million (2007 - HK$71 million)

3. After the fifth year - nil (2007 - HK$223 million)

Other commitments

3G handsets - HK$1,280 million (2007 - HK$1,601 million)

Notes to the Accounts

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 18 and 19 are unsecured. Balances totalling HK$3,551 million (2007 - HK$3,091 million) are interest bearing.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2008, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$25,301 million (2007 - HK$22,509 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$2,283 million (2007 - HK$2,996 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 6.

39 Legal proceedings

As at 31 December 2008, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

40 Subsequent events

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

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

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

41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2008, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into United States dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 115 to 198 were approved by the Board of Directors on 26 March 2009.

43 Profit before tax

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

	2008	**2007**
	HK$ millions	HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	14,934	46,788
Unlisted	710	1,034
	15,644	47,822
Share of gross rental income of associated companies and jointly controlled entities	649	562
Gross rental income from investment properties held by:		
Listed subsidiary - HHR	182	284
Other subsidiaries (excluding HHR)	2,750	2,467
Less: intra group rental income	(297)	(271)
	2,635	2,480

Less: related outgoings	(56)	(80)
Net rental income of subsidiary companies	2,579	2,400
Dividend and interest income from managed funds and other investments		
Listed	1,986	2,197
Unlisted	219	217
Charges:		
Depreciation and amortisation		
Fixed assets	17,268	17,616
Telecommunications licences	5,567	5,617
Telecommunications postpaid CACs	12,571	13,522
Leasehold land	1,018	986
Brand names and other rights	1,023	1,131
	37,447	38,872
Inventories write off	1,692	1,747
Operating leases		
Properties	15,938	12,943
Hire of plant and machinery	1,378	675
Auditors´ remuneration		
Audit and audit related work - PricewaterhouseCoopers	215	199
- other auditors	22	19
Non-audit work - PricewaterhouseCoopers	29	34
- other auditors	23	28

Notes to the Accounts

44 Financial risk management

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

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

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

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

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

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively. The Group's main interest rate exposures relate to US dollar, British pound, Euro and HK dollar borrowings.

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

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

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the year, the currencies of most of those countries where the Group has overseas operations weakened against the HK dollar. This gave rise to an unrealised loss of HK$38,917 million (2007 - gain of HK$6,788 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves.

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

(d) Credit exposure

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

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

(e) Market price risk

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

Notes to the Accounts

44 Financial risk management (continued)

(f) Market risks sensitivity analyses

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

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

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

(i)

Interest rate sensitivity analysis

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

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

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

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

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

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

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i)

Interest rate sensitivity analysis (continued)

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

— profit for the year would decrease by HK$1,374 million (2007 - HK$1,838 million) due to increase in interest expense;

— total equity would decrease by HK$1,374 million (2007 - HK$1,838 million) due to increase in interest expense; and

— total equity would decrease by HK$119 million (2007 - HK$454 million) mainly due to decrease in value of available-for-sale investments.

(ii)

Foreign currency exchange rate sensitivity analysis

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

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

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

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

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

- some of the cash and cash equivalents (see note 23)

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

Notes to the Accounts

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii)

Foreign currency exchange rate sensitivity analysis (continued)

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

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

(iii)

Other price sensitivity analysis

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

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

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

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

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

— profit for the year would increase by HK$92 million (2007 - HK$104 million) due to increase in gains on financial assets at fair value through profit or loss;

— total equity would increase by HK$92 million (2007 - HK$104 million) due to increase in gains on financial assets at fair value through profit or loss; and

— total equity would increase by HK$2,975 million (2007 - HK$6,396 million) due to increase in gains on available-for-sale investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

	Contractual maturities					
	Within 1 year	After 1 year, but within 5	After 5 years	Total undiscounted	Difference from carrying	Carrying amounts

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

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

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

Notes to the Accounts

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amount	Carrying amounts
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2007						
Trade payables	27,206	—	—	27,206	—	27,206
Other payables and accruals	53,145	—	—	53,145	—	53,145
Interest free loans from minority shareholders	3,088	—	—	3,088	—	3,088
Bank loans	42,282	114,143	20	156,445	(406)	156,039
Other loans	134	7,178	67	7,379	(16)	7,363
Notes and bonds	7,871	27,504	112,080	147,455	(516)	146,939
Interest bearing loans from minority shareholders	42	8,696	3,770	12,508	—	12,508
Fair value hedges — interest rate swap (net settled)	267	(14)	86	339	(72)	267
	134,035	157,507	116,023	407,565	(1,010)	406,555

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

	Total undiscounted cash flows	**Within 1 year**	**After 1 year, but within 5 years**	**After 5 years**
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2007				
Derivative settled gross:				
Cash flow hedges - cross currency interest rate swaps				
- Inflow	159	65	94	—
- Outflow	(120)	(48)	(72)	—

Cash flow hedges - forward foreign exchange contracts				
- Inflow	6,682	2,602	4,080	—
- Outflow	(6,956)	(2,609)	(4,347)	—

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

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

45 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the balance sheet of the Company as at 31 December 2008 is set out as follows:

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

Fok Kin-ning, Canning*Director* **Frank John Sixt*Director***

Notes to the Accounts

45 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 193 to 198.

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

(c) Reserves

	Share premium HK$ millions	**Retained profit** HK$ millions	**Total** HK$ millions
At 1 January 2007	28,359	59,001	87,360
Profit for the year	—	16,032	16,032
Unclaimed dividend paid write back	—	8	8
Dividends paid relating to 2006	—	(5,201)	(5,201)
Dividends paid relating to 2007	—	(2,174)	(2,174)
At 31 December 2007	28,359	67,666	96,025
Profit for the year	—	17,000	17,000
Unclaimed dividend paid write back	—	5	5
Dividends paid relating to 2007	—	(5,201)	(5,201)
Dividends paid relating to 2008	—	(2,174)	(2,174)
At 31 December 2008	28,359	77,296	105,655

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the principal amounts of consolidated borrowings included in note 27 totalling HK$253,884 million (2007 - HK$311,279 million), the Company has guaranteed a total of HK$191,972 million (2007 - HK$245,322 million) which has been borrowed in the name of subsidiary companies.

(f) The Company has historically provided some guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and jointly controlled entities. At 31 December 2008, no guarantees were outstanding (2007 - HK$470 million). This amount has been included in the Group´s contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$17,000 million (2007 - HK$16,032 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2008 amounting to HK$77,296 million (2007 - HK$67,666 million).

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2008

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Ports and related services				
#	Alexandria International Container Terminals Company S.A.E.	Egypt	USD30,000,000	40	Container terminal operating
	Amsterdam Port Holdings B.V.	Netherlands	EUR170,704	56	Holding company
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	USD25,400	80	Holding company & mid-stream container operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS10,000,000	80	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HKD40	27	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP160,195,000	80	Container terminal operating
	Europe Container Terminals B. V.	Netherlands	EUR45,380,000	78	Holding company
	ECT Delta Terminal B.V.	Netherlands	EUR18,000	76	Stevedoring activities
	Freeport Container Port Limited	Bahamas	B$2,000	41	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN11,379,300	79	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP16,812,002	80	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HKD20	53	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company Limited	Hong Kong	HKD20,000,000	50	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD76,000,000	50	Ship repairing & general engineering
✡	Huizhou Port Industrial Corporation Limited	China	RMB300,000,000	27	Container terminal operating
✡❄	Huizhou Quanwan Port Development Co., Ltd.	China	RMB359,300,000	40	Port related land development
	Hutchison Atlantic Limited	British Virgin Islands	USD10,000	80	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	USD2	80	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	USD26,000,000	80	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB1,000,000,000	64	Container terminal operating
	Hutchison Ports Finance Limited	British Virgin	USD10	80	Finance

		Islands			
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP50,000	80	Finance
	Hutchison Port Investments Limited	Cayman Islands	USD74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR12,500	80	Holding company
	Hutchison Ports (Jersey) Property Management Limited	Jersey	GBP25,000,100	80	Port property management and leasing
	Hutchison Westport Investments Limited	British Virgin Islands	USD2	80	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR2,000,000	41	Container terminal operating
✡❄	Jiangmen International Container Terminals Limited	China	USD14,461,664	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR1,109,384,220	80	Container terminal operating
	Karachi New Port Container Terminals Limited	Pakistan	PKR1,663,700,000	72	Container terminal operating
	Korea International Terminals Limited	South Korea	Won45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP50,000,000	80	Container terminal operating
	Laemchabang International Ro-Ro Terminal Limited	Thailand	THB50,000,000	64	Ro-Ro Terminal operation
	Maritime Transport Services Limited	United Kingdom	GBP13,921,323	64	Container terminal operating
✡❄	Nanhai International Container Terminals Limited	China	USD42,800,000	40	Container terminal operating
✡❄	Ningbo Beilun International Container Terminals Limited	China	RMB700,000,000	39	Container terminal operating
+	Oman International Container Terminal L.L.C.	Oman	OMR4,000,000	52	Container terminal operating

Principal Subsidiary and Associated Companies and Jointly Controlled Entities
at 31 December 2008

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Ports and related services (continued)				
	Panama Ports Company, S. A.	Panama	USD10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP100,002	80	Container terminal operating
+	PT Hutchison Ports Indonesia	Indonesia	IDR130,000,000,000	80	Container terminal operating
	PT Jakarta International Container Terminal	Indonesia	IDR221,450,406,000	41	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	USD1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD80,084,000	56	Container terminal operating
✡❄	Shanghai Container Terminals Limited	China	RMB1,000,000,000	30	Container terminal operating
✡❄+	Shanghai Mingdong Container Terminals Limited	China	RMB4,000,000,000	40	Container terminal operating
❄	Shantou International Container Terminals Limited	China	USD88,000,000	56	Container terminal operating
†	Shenzhen Hutchison Inland Container Depots Co., Ltd	China	HKD92,000,000	57	Inland container depots services
❄	Shenzhen Yantian West Port Terminals Limited	China	RMB1,000,000,000	34	Container terminal operating
	SupplyLINE Logistics Limited	Hong Kong	HKD10,000	41	Logistics services
✡ +	Taranto Container Terminal S.p.A	Italy	EUR26,000,000	40	Container terminal operating
	Talleres Navales de Golfo, S.A. de C.V.	Mexico	MXP143,700,000	80	Marine construction and ship repair yard
	Terminal Catalunya, S.A.	Spain	EUR2,342,800	56	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB800,000,000	70	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS1,801,666,000	56	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP2	64	Container terminal operating
#+	Westports Holdings Sdn. Bhd.	Malaysia	MYR117,000,000	25	Holding company
✡❄	Xiamen International Container Terminals Limited	China	RMB1,148,700,000	39	Container terminal operating
❄	Yantian International Container Terminals Limited	China	HKD2,400,000,000	38	Container terminal operating
❄	Yantian International Container Terminals (Phase III) Limited	China	HKD6,056,960,000	34	Container terminal operating
✡❄	Zhuhai International Container Terminals (Gaolan) Limited	China	USD105,750,000	40	Container terminal operating
✡❄	Zhuhai International Container Terminals (Jiuzhou) Limited	China	USD52,000,000	40	Container terminal operating
	Property and hotels				
	Aberdeen Commercial Investments Limited	Hong Kong	HKD2	100	Property owning
	Consolidated Hotels Limited	Hong Kong	HKD78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HKD2	100	Property owning
	Foxton Investments Limited	Hong Kong	HKD10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HKD1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HKD100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	USD2	50	Hotel management
	Harley Development Inc.	Panama/Hong Kong	USD2	100	Property owning
	Hongville Limited	Hong Kong	HKD2	100	Property owning
✡ †	Hutchison Enterprises (Chongqing) Limited	China	RMB470,000,000	50	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HKD50,000	100	Property management,

					agency & related services
	Hutchison Hotel Hong Kong Limited	Hong Kong	HKD2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	USD1	100	Holding company
✡	Hutchison LR Development Limited	British Virgin Islands	USD100	45	Property investment

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Property and hotels (continued)				
	Hutchison Lucaya Limited	Bahamas	USD5,000	100	Investment in hotel
	Hutchison Whampoa Properties Limited	Hong Kong	HKD2	100	Holding company
✡ †+	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	USD27,193,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Changchun) Limited	China	USD34,870,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Changsha Wangcheng) Limited	China	RMB149,000,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB1,050,000,000	50	Property developing & investment
✡❅+	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB460,000,000	48	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB250,000,000	50	Property developing
✡ †+	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB190,000,000	50	Property developing & investment
†+	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB600,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HKD20	100	Project management & related services
# @+	Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	USD372,000,000	25	Property developing & investment
✡ @	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	USD48,550,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	China	USD54,000,000	50	Property developing & investment
✡ †	Hutchison Whampoa Properties (Tianjin) Limited	China	USD47,500,000	40	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	USD54,400,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	USD59,300,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Xian) Limited	China	USD59,600,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Zhuhai) Company Limited	China	USD15,000,000	50	Property developing & investment
	Hybonia Limited	Hong Kong	HKD20	100	Property owning
✡❅+	Jiangmen Hutchison Whampoa Properties Limited	China	RMB120,000,000	45	Property developing
✡ +	Konorus Investment Limited	Hong Kong	HKD2	43	Property developing
✡ +	Marketon Investment Limited	Hong Kong	HKD4	50	Property owning
	Matrica Limited	Hong Kong	HKD20	70	Property owning and hotel operation
	Mossburn Investments Limited	Hong Kong	HKD1,000	100	Property owning
	Omaha Investments Limited	Hong Kong	HKD10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HKD100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HKD2	100	Property owning
#+	Randash Investment Limited	Hong Kong	HKD110	39	Investment in hotel
✡ †+	Regal Lake Property Development Limited Guang Zhou	China	RMB1,040,640,000	40	Property developing
	Rhine Office Investments Limited	Hong Kong	HKD2	100	Property owning
✡ @+	Shanghai Cheung Tai Property Development Limited	China	RMB870,000,000	50	Property developing
✡ @+	Shanghai Helian Property Development Co., Ltd.	China	USD74,700,000	50	Property developing

✡ †	Shanghai Westgate Mall Co., Ltd.	China	USD40,000,000	30	Property owning
✡ †	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB620,000,000	40	Property developing & investment
✡ @	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB250,000,000	50	Property developing
✡ @	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	USD5	50	Investment in hotel
	Trillium Investment Limited	Bahamas/Hong Kong	USD1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HKD2	100	Property owning
	Vember Lord Limited	Hong Kong	HKD2	100	Property owning

Principal Subsidiary and Associated Companies and Jointly Controlled Entities
at 31 December 2008

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Retail				
	Alrodo Sa	Switzerland	CHF10,000,000	100	Perfume retailing
	A.S. Watson & Company, Limited	Hong Kong	HKD109,550,965	100	Holding company
	A.S.Watson (Europe) Holdings B.V.	Netherlands	EUR18,300	100	Holding company
	A.S. Watson Group Holdings Limited	British Virgin Islands	USD1	100	Holding company
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	USD1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	A.S.Watson (France) SNC	France	EUR37,000	100	Holding company
	A/S Drogas	Latvia	LVL1,280,000	100	Retailing
	DC Ukraine	Ukraine	UAH29,300,000	65	Retailing
# +	Dirk Rossmann GmbH	Germany	EUR12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HKD20	100	Retailing
	Guangzhou Park´N Shop Supermarkets Ltd	China	HKD83,330,000	97	Retailing
❄	Guangzhou Watson´s Food and Beverages Co. Ltd.	China	USD32,283,432	95	Beverage manufacturing & trading
	Guangzhou Watson´s Personal Care Stores Co., Ltd	China	HKD71,600,000	95	Retailing
	Ici Paris XL Nederland B.V.	Netherlands	EUR20,000	100	Perfume retailing
	Kruidvat B.V.B.A.	Belgium	EUR62,000	100	Retailing
	Kruidvat Retail B.V.	Netherlands	EUR20,000	100	Retailing
+	Marionnaud Parfumeries S A	France	EUR70,486,570	100	Perfume retailing
	Marionnaud Parfumeries Autriche GmbH	Austria	EUR2,543,549	100	Perfume retailing
	Marionnaud Parfumeries Iberica, S.L.	Spain	EUR35,802,167	100	Perfume retailing
	Marionnaud Parfumeries Portugal Lda	Portugal	EUR550,000	100	Perfume retailing
	Marionnaud Parfumeries Italie Spa	Italy	EUR3,500,000	100	Perfume retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HKD20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd.	Singapore	SGD2	50	Operation of duty free shops
	Parfumerie Ici Paris XL N.V.	Belgium	EUR770,000	100	Perfume retailing
	Park´N Shop Limited	Hong Kong	HKD1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP1,400,000	100	Retailing
+	Spektr Group Limited Liability Company	Russia	RUB3,000,000	100	Retailing
	Superdrug Stores plc	United Kingdom	GBP22,000,000	100	Retailing
	The Perfume Shop Limited	United Kingdom	GBP100,000	100	Perfume retailing
	Watson´s Personal Care Stores (Taiwan) Co., Limited	Taiwan	NT$711,000,000	100	Retailing
	Watson´s Personal Care Stores Pte Ltd	Singapore	SGD5,000,000	100	Retailing
	Watson´s Personal Care Stores Sdn. Bhd.	Malaysia	MYR5,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP135,000,000	60	Retailing
	Watson´s The Chemist Limited	Hong Kong	HKD1,000,000	100	Retailing
	Energy and infrastructure				

✻+	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HKD2,254,209,945	85	Holding company
✻#+	Hongkong Electric Holdings Limited	Hong Kong	HKD2,134,261,654	33	Electricity generating
✻#+	Husky Energy Inc.	Canada	C$3,533,276,440	35	Investment in oil and gas
	Finance and investments				
	Binion Investment Holdings Limited	Cayman Islands	USD3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HKD2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HKD139,254,060	100	Holding company
	Hutchison International Finance (01/08) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Finance (03/08) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Limited	Hong Kong	HKD446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	USD1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR1,764,026,850	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (05) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (06) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance UK plc	United Kingdom	GBP50,000	100	Finance
	Hutchison Whampoa International (01/11) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	USD1	100	Finance
	Strategic Investments International Limited	British Virgin Islands	USD1	53	Overseas portfolio investment
	Zeedane Investments Limited	British Virgin Islands	USD1	100	Overseas portfolio investment
	Telecommunications				
✻	Hutchison Telecommunications International Limited	Cayman Islands/ Hong Kong	HKD1,203,586,552	60	Holding company
	Hutchison Global Communications Limited	Hong Kong	HKD20	60	Fixed line communications
	Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HKD20	60	Holding company & mobile telecommunications services
✻	Partner Communications Company Ltd.	Israel	NIS1,578,874	31	Mobile telecommunications services
	PT. Hutchison CP Telecommunications	Indonesia	IDR649,890,000,000	36	Mobile telecommunications services
	3 Italia S. p. A.	Italy	EUR6,512,715,450	97	3G mobile multimedia services
	Hi3G Access AB	Sweden	SEK10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	EUR35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP1	100	3G mobile multimedia services
✻	Hutchison Telecommunications (Australia) Limited	Australia	AUD1,045,193,771	52	Holding company & 3G multimedia services

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Others				
✡❅+	Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD65,000,000	50	Aircraft maintenance
✻	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HKD895,065,271	72	Production of electronic products and mobile phone accessories
✻	Hutchison China MediTech Limited	Cayman Islands/China	USD51,229,174	72	Holding company of pharmaceuticals and healthcare businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HKD15,000,000	100	Investment holding & China services
#	Metro Broadcast Corporation Limited	Hong Kong	HKD1,000,000	50	Radio broadcasting
✻#	TOM Group Limited	Cayman Islands/ Hong Kong	HKD389,327,056	24	Cross media

The above table lists the principal subsidiary and associated companies and jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation. The activity of portfolio investment is international, and not attributable to a principal place of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and jointly controlled entities are held indirectly.

✻ Company listed on the Stock Exchange of Hong Kong except Partner Communications Company Ltd. which is listed on the Tel Aviv Exchange and quoted on the Nasdaq Stock Market, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison China MediTech Limited which is listed on the Alternative Investment Market of London Stock Exchange and Hutchison Telecommunications International Limited which is also listed on the New York Stock Exchange.

Associated companies

✡ Jointly controlled entities

❅ Equity joint venture registered under PRC law

† Cooperative joint venture registered under PRC law

@Wholly owned foreign enterprise (WOFE) registered under PRC law

+ The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets, turnover (excluding share of associated companies and jointly controlled entities) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 13% and 6.7% of the Group's respective items.
2007 Annual Report Page

Independent Auditor's Report

To the Shareholders of Hutchison Whampoa Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hutchison Whampoa Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 121 to 203, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2008

Consolidated Profit and Loss Account
for the year ended 31 December 2007

2007 US$ millions		Note	**2007** HK$ millions	**2006** HK$ millions
	Company and subsidiary companies:			
28,042	Revenue	3, 4	218,726	183,812
(9,484)	Cost of inventories sold		(73,977)	(67,114)
(3,760)	Staff costs		(29,325)	(25,729)
(735)	**3** Group telecommunications expensed customer acquisition costs		(5,732)	(5,494)
(4,984)	Depreciation and amortisation	4	(38,872)	(33,091)
(7,237)	Other operating expenses		(56,448)	(50,860)
255	Change in fair value of investment properties		1,988	2,843
(1,433)	Profit (loss) on disposal of investments and others	5	(11,182)	23,290
	Share of profits less losses after tax of:			
1,539	Associated companies before profit on disposal of investments	18	12,002	11,472

428	Jointly controlled entities	19	3,338	3,075
4,592	Associated company´s profit on disposal of an investment	5, 18	35,820	—
7,223		4	56,338	42,204
(2,443)	Interest and other finance costs	7	(19,054)	(16,601)
4,780	**Profit before tax**		37,284	25,603
(355)	Current tax charge	8	(2,768)	(1,560)
(212)	Deferred tax charge	8	(1,651)	(1,417)
4,213	**Profit after tax**		32,865	22,626
(290)	**Allocated as:** Profit attributable to minority interests		(2,265)	(2,596)
3,923	**Profit attributable to shareholders of** the Company	10	30,600	20,030
946	**Dividends**	9	7,375	7,375
US92.0 cents	**Earnings per share for profit attributable to shareholders** of the Company	10	HK$7.18	HK$4.70

Consolidated Balance Sheet
at 31 December 2007

2007 US$ millions		Note	**2007** HK$ millions	**2006** HK$ millions
	ASSETS			
	Non-current assets			
23,249	Fixed assets	11	181,342	140,181
5,600	Investment properties	12	43,680	41,657
4,650	Leasehold land	13	36,272	35,293
11,782	Telecommunications licences	14	91,897	89,077
1,124	Telecommunications postpaid customer acquisition and retention costs	15	8,771	10,532
4,041	Goodwill	16	31,520	21,840
1,397	Brand names and other rights	17	10,901	7,582
9,685	Associated companies	18	75,545	74,954
5,093	Interests in joint ventures	19	39,725	38,507
2,259	Deferred tax assets	20	17,619	17,159
652	Other non-current assets	21	5,082	3,762
8,871	Liquid funds and other listed investments	22	69,192	66,251
78,403			611,546	546,795
	Current assets			
14,270	Cash and cash equivalents	23	111,307	64,151
7,099	Trade and other receivables	24	55,374	44,188
2,692	Inventories		20,999	22,382
24,061			187,680	130,721
	Current liabilities			
11,542	Trade and other payables	25	90,029	66,487
6,443	Bank and other debts	27	50,255	22,070
299	Current tax liabilities		2,336	1,629
18,284			142,620	90,186
5,777	**Net current assets**		45,060	40,535
84,180	**Total assets less current liabilities**		656,606	587,330
	Non-current liabilities			
33,344	Bank and other debts	27	260,086	260,970
1,604	Interest bearing loans from minority shareholders	28	12,508	12,030
2,302	Deferred tax liabilities	20	17,957	15,019
188	Pension obligations	29	1,468	2,378

760	Other non-current liabilities	30	5,929	6,368
38,198			297,948	296,765
45,982	**Net assets**		358,658	290,565
	CAPITAL AND RESERVES			
137	Share capital	31	1,066	1,066
39,609	Reserves		308,948	272,728
39,746	**Total shareholders´ funds**		310,014	273,794
6,236	Minority interests		48,644	16,771
45,982	**Total equity**	32	358,658	290,565

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2007

2007 US$ millions		Note	**2007** HK$ millions	**2006** HK$ millions
	Operating activities			
11,078	Cash generated from operating activities before interest and other finance costs, tax paid, **3** Group telecommunications expensed CACs[(a)] and changes in working capital	33 (a)	86,406	49,096
(2,373)	Interest and other finance costs paid		(18,508)	(15,990)
(334)	Tax paid		(2,608)	(2,010)
8,371	Funds from operations before **3** Group telecommunications expensed CACs		65,290	31,096
(735)	**3** Group telecommunications expensed CACs		(5,732)	(5,494)
7,636	**Funds from operations**		59,558	25,602
(531)	Changes in working capital	33 (b)	(4,144)	1,020
7,105	**Net cash from operating activities**		55,414	26,622
	Investing activities			
(1,780)	Purchase of fixed assets and investment properties for established businesses		(13,883)	(10,895)
(1,791)	Purchase of fixed assets for 3G businesses		(13,969)	(11,559)
(142)	Additions to leasehold land		(1,104)	(1,454)
(11)	Additions to telecommunications licences		(86)	—
(73)	Additions to brand names and other rights		(572)	(1,863)
(1,516)	Additions to telecommunications postpaid CACs, including HTIL	4	(11,825)	(15,223)
5,814	Purchase of subsidiary companies	33 (c)	45,348	(3,759)
(90)	Purchase of minority interests		(706)	—
(75)	Purchase of and advances to associated companies		(581)	(1,705)
(574)	Purchase of and advances to jointly controlled entities		(4,478)	(3,647)
(144)	Additions to other unlisted investments		(1,120)	(18)
242	Repayments from associated companies and non-property jointly controlled entities		1,888	1,769
217	Deposits from associated companies and jointly controlled entities		1,698	1,104
106	Proceeds on disposal of fixed assets, leasehold land and investment properties		825	2,325
115	Proceeds on disposal of subsidiary companies	33 (d)	895	550
—	Proceeds on partial disposal of subsidiary	33 (e)	—	33,595

	companies			
121	Proceeds on disposal of associated companies		945	—
177	Proceeds on disposal of jointly controlled entities		1,379	—
44	Proceeds on disposal of other unlisted investments		342	622
8	Proceeds on disposal of infrastructure project investments		66	94
526	Disposal of liquid funds and other listed investments		4,099	1,967
(200)	Additions to liquid funds and other listed investments		(1,561)	(4,205)
974	**Cash flows from (used in) investing activities**		7,600	(12,302)
	Financing activities			
7,020	New borrowings		54,755	62,241
(7,692)	Repayment of borrowings		(60,000)	(53,645)
56	Issue of shares by subsidiary companies to minority shareholders		438	1,653
(471)	Dividends paid to minority shareholders		(3,676)	(2,760)
(946)	Dividends paid to shareholders		(7,375)	(7,375)
(2,033)	**Cash flows from (used in) financing activities**		(15,858)	114
6,046	Increase in cash and cash equivalents		47,156	14,434
8,224	Cash and cash equivalents at 1 January		64,151	49,717
14,270	**Cash and cash equivalents at 31 December**		111,307	64,151
	Analysis of cash, liquid funds and other listed investments			
14,270	Cash and cash equivalents, as above	23	111,307	64,151
8,871	Liquid funds and other listed investments	22	69,192	66,251
23,141	**Total cash, liquid funds and other listed investments**		180,499	130,402
39,787	Bank and other debts		310,341	283,040
1,604	Interest bearing loans from minority shareholders		12,508	12,030
18,250	**Net debt**		142,350	164,668
(1,604)	Interest bearing loans from minority shareholders		(12,508)	(12,030)
16,646	**Net debt (excluding interest bearing loans from** minority shareholders)		129,842	152,638

(a) CACs represents customer acquisition costs and contract customer retention costs.

Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2007

2007 US$ millions		Note	**2007** HK$ millions	**2006** HK$ millions
1,583	Fair value changes in available-for-sale investments		12,350	3,409
8	Fair value changes arising from business combination		61	—
—	Fair value adjustment upon transfer from other properties to investment properties		4	44
(993)	Valuation released upon disposal of available-for-sale investments		(7,746)	(665)
33	Gain (loss) on cash flow hedges		254	(149)
5	Transfer to initial carrying amount of		35	—

	non-financial items on cash flow hedges			
(1)	Share of other reserve movement of an associated company		(8)	—
987	Exchange translation differences		7,700	15,694
193	Net actuarial gains of defined benefit plans		1,506	636
(32)	Deferred tax effect on net actuarial gains of defined benefit plans		(253)	(126)
1,783	Net income recognised directly in equity	32	13,903	18,843
4,213	Profit after tax		32,865	22,626
5,996	Total recognised income and expense	32	46,768	41,469
(475)	Allocated as: Attributable to minority interests		(3,702)	(2,996)
5,521	Attributable to shareholders of the Company		43,066	38,473

Notes to the Accounts

1 Significant accounting policies

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

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2007 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 1(c) and 1(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2007 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 1(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

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

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

(d) Joint ventures

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

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

Notes to the Accounts

1 Significant accounting policies (continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

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

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 - 33%
Container terminal equipment	5 - 20%
Telecommunications equipment	2.5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

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

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

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

(f) Investment properties

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

(g) Leasehold land

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

1 Significant accounting policies (continued)

(h) Telecommunications licences

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

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

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

(i) Telecommunications customer acquisition and retention costs

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

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

(j) Goodwill

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

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

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

1 Significant accounting policies (continued)

(k) Brand names and other rights

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

(l) Deferred tax

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Liquid funds and other listed investments are investments in listed debt securities, listed equity securities, long-term deposits and cash and cash equivalents. Other unlisted investments, disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and infrastructure projects. These investments are recognised and derecognised on the date the Group commits to purchase or sell the investments or when they expire.

Loans and receivables

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

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These investments are initially recognised in the balance sheet at fair value plus transaction costs and measured at each subsequent reporting date at fair value. Changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit or loss. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in the investment revaluation reserve is recognised in profit or loss.

1 Significant accounting policies (continued)

(n) Derivative financial instruments and hedging activities

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

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivatives, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in profit or loss as interest and other finance costs.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivatives are dealt with as movements in hedging reserve.

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

(o) Trade and other receivables

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

(p) Properties under development

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

(q) Inventories

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

(r) Cash and cash equivalents

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

Notes to the Accounts

1 Significant accounting policies (continued)

(s) Borrowings and borrowing costs

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

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

(t) Trade and other payables

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

(u) Share Capital

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

(v) Provisions

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

(w) Leased assets

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

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

(x) Asset impairment

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

1 Significant accounting policies (continued)

(y) Pension plans

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

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

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

Pension costs are charged against profit or loss within staff costs.

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

(z) Share-based payments

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

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

(aa) Foreign exchange

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

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

Notes to the Accounts

1 Significant accounting policies (continued)

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

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

Property and hotels

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the occupation permit, whichever is later.

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

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

Retail

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

Energy and infrastructure

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

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

Income from infrastructure projects is recognised on a time proportion basis, using the effective interest method.

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

Finance and investments

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

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

Mobile and fixed-line telecommunications services

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

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

Monthly access charge on the provision of fixed-line telecommunications services is recognised on a straight-line basis over the respective period.

Other service income is recognised when the service is rendered.

1 Significant accounting policies (continued)

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective:

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

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

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

2 Critical accounting estimates and judgements

Note 1 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

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

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

(a) Long-lived assets

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

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

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

Notes to the Accounts

2 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

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

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2007 and 31 December 2006 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

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

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through network sharing, network maintenances and other outsourcing programs. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in the customer operations and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the new 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 10%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

2 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation

(i)

Fixed assets

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

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

(ii)

Telecommunications licences

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

Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining licence period and are stated net of accumulated amortisation. As mentioned in note 1(h), following a decree issued by the Italian Ministry of Telecommunications in 2007, the Group has applied to extend the licence period of another 15 years for its 3G licence in Italy from 20 years to 35 years, and has revised its estimated useful life accordingly. This change in estimate resulted in savings in 3G licence amortisation expense for the year of approximately HK$1 billion.

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

(iii)

Telecommunications customer acquisition and retention costs

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

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

Notes to the Accounts

2 Critical accounting estimates and judgements (continued)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment test described above. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 6% to 10%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(d) Investment properties

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

(e) Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to profit or loss.

2 Critical accounting estimates and judgements (continued)

(e) Tax (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's 3G operation in the UK where, among other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. No deferred tax assets have been recognised for the unused tax losses carried forward by the Group's other 3G operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for **3** UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to profit or loss if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

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

(f) Pension costs

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

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

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

Notes to the Accounts

3 Turnover and revenue

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

#@

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

4 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information (see notes 18 and 19).

Telecommunications - **3** Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway, Ireland and Australia. (2006 - Telecommunications - **3** Group included 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland and the 2G and 3G operations in Australia)

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK$57 million (2006 - HK$65 million), Property and hotels is HK$307 million (2006 - HK$251 million), Finance & investments and others is HK$1,118 million (2006 - HK$384 million) and Hutchison Telecommunications International is HK$82 million (2006 - nil).

Business segment

Revenue

	Company and Subsidiaries	**Associates and JCE**	**2007 Total**		**Company and Subsidiaries**	**Associates and JCE**	**2006 Total**	
	HK$ millions	HK$ millions	HK$ millions	%(a)	HK$ millions	HK$ millions	HK$ millions	%(a)
ESTABLISHED BUSINESSES								
Ports and related services	33,207	4,684	37,891	15%	29,081	3,960	33,041	15%
Property and hotels	5,317	4,234	9,551	4%	4,889	5,828	10,717	5%
Retail	94,663	15,344	110,007	44%	86,876	12,273	99,149	45%
Cheung Kong Infrastructure	2,403	14,848	17,251	7%	2,207	12,615	14,822	7%
Husky Energy	—	39,781	39,781	16%	—	29,981	29,981	14%
Finance & investments and others	11,094	2,512	13,606	6%	10,248	2,366	12,614	6%
Hutchison Telecommunications	12,618	8,161	20,779	8%	—	16,672	16,672	8%

International Subtotal - Established businesses	159,302	89,564	248,866	100%	133,301	83,695	216,996	100%
TELECOMMUNICATIONS - 3 Group	59,424	485	59,909		50,511	157	50,668	
	218,726	90,049	308,775		183,812	83,852	267,664	

4 Segment information (continued)

Business segment (continued)

				EBIT (LBIT)[b]				
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2007 Total HK$ millions	%[a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2006 Total HK$ millions	%[a]
ESTABLISHED BUSINESSES								
Ports and related services	11,118	1,731	12,849	23%	9,881	1,514	11,395	26%
Property and hotels	2,807	1,253	4,060	7%	2,649	3,018	5,667	13%
Retail	2,889	822	3,711	7%	2,059	661	2,720	6%
Cheung Kong Infrastructure	797	6,556	7,353	13%	629	5,507	6,136	14%
Husky Energy	—	10,523	10,523	19%	—	8,305	8,305	19%
Finance & investments and others[c]	13,183	668	13,851	25%	6,305	615	6,920	16%
Hutchison Telecommunications International	1,523	1,695	3,218	6%	—	2,648	2,648	6%
EBIT - Established businesses[b]	32,317	23,248	55,565	100%	21,523	22,268	43,791	100%
	TELECOMMUNICATIONS - 3 Group[d]							
EBIT before depreciation, amortisation and telecommunications expensed CACs	18,339	67	18,406		13,216	7	13,223	
Telecommunications expensed CACs	(5,732)	—	(5,732)		(5,494)	—	(5,494)	
EBIT before depreciation and amortisation and after telecommunications expensed CACs	12,607	67	12,674		7,722	7	7,729	
Depreciation	(11,139)	(60)	(11,199)		(9,497)	(4)	(9,501)	
Amortisation of licence fees and other rights	(6,143)	—	(6,143)		(6,503)	—	(6,503)	
Amortisation of telecommunications postpaid CACs	(13,270)	—	(13,270)		(11,721)	—	(11,721)	
EBIT (LBIT) - Telecommunications - **3** Group[b]	(17,945)	7	(17,938)		(19,999)	3	(19,996)	
Change in fair value of investment properties	1,988	7	1,995		2,843	959	3,802	
Profit (loss) on disposal of investments and others (See note 5)	(11,182)	35,820	24,638		23,290	—	23,290	
EBIT	5,178	59,082	64,260		27,657	23,230	50,887	
Group´s share of the following profit and loss items of associated companies and								

jointly controlled entities:						
Interest and other finance costs	—	(3,446)	(3,446)	—	(3,745)	(3,745)
Current tax	—	(2,532)	(2,532)	—	(3,273)	(3,273)
Deferred tax	—	(1,579)	(1,579)	—	(901)	(901)
Minority interests	—	(365)	(365)	—	(764)	(764)
	5,178	51,160	56,338	27,657	14,547	42,204

Notes to the Accounts

4 Segment information (continued)

Business segment (continued)

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

4 Segment information (continued)

Business segment (continued)

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

	Capital expenditure				
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	Telecom-munications postpaid CACs HK$ millions	2006 Total HK$ millions
ESTABLISHED BUSINESSES					
Ports and related services	9,049	—	230	—	9,279
Property and hotels	221	—	—	—	221
Retail	2,668	—	—	—	2,668
Cheung Kong Infrastructure	42	—	—	—	42

Husky Energy	—	—	—	—	—
Finance & investments and others	369	—	55	—	424
Hutchison Telecommunications International	—	—	—	—	—
Subtotal - Established businesses	12,349	—	285	—	12,634
TELECOMMUNICATIONS - 3 Group (e)	11,559	—	1,578	15,223	28,360
	23,908	—	1,863	15,223	40,994

Notes to the Accounts

4 Segment information (continued)

Business segment (continued)

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

	Total liabilities							
	Segment liabilities(h)	Current & long-term borrowings(i) and other non-current liabilities	Current & deferred tax liabilities	2007 Total liabilities	Segment liabilities(h)	Current & long-term borrowings(i) and other non-current liabilities	Current & deferred tax liabilities	2006 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
	ESTABLISHED BUSINESSES							
Ports and related services	17,474	44,243	6,753	68,470	14,870	41,709	6,539	63,118
Property and hotels	2,162	837	5,751	8,750	2,277	805	4,276	7,358
Retail	17,891	28,239	490	46,620	19,032	28,520	331	47,883
Cheung Kong Infrastructure	1,435	7,766	1,430	10,631	1,441	9,505	1,809	12,755
Husky Energy	—	—	3,316	3,316	—	—	2,129	2,129
Finance & investments and others	8,264	64,263	1,542	74,069	5,819	66,055	1,126	73,000
Hutchison Telecommunications International	8,395	13,668	695	22,758	—	—	—	—
Subtotal -	55,621	159,016	19,977	234,614	43,439	146,594	16,210	206,243

Established businesses								
TELECOMMUNI CATIONS - 3	35,876	169,762	316	205,954	25,426	154,844	438	180,708
Group	91,497	328,778	20,293	440,568	68,865	301,438	16,648	386,951

4 Segment information (continued)

Geographical segment

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

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

Notes to the Accounts

4 Segment information (continued)

Geographical segment (continued)

	Capital expenditure [c]				
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	Telecom-munications postpaid CACs	2007 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions

Hong Kong	1,056	—	36	345	1,437
Mainland China	3,655	—	—	1	3,656
Asia and Australia	5,753	—	—	1,285	7,038
Europe	15,789	86	536	10,194	26,605
Americas and others	2,703	—	—	—	2,703
	28,956	86	572	11,825	41,439

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

	Total assets							
	Company and Subsidiaries Segment assets[f]	Company and Subsidiaries Deferred tax assets	Investments in associated companies and interests in joint ventures	2007 Total assets	Company and Subsidiaries Segment assets[f]	Company and Subsidiaries Deferred tax assets	Investments in associated companies and interests in joint ventures	2006 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	117,866	457	30,172	148,495	91,032	101	36,890	128,023
Mainland China	39,952	57	29,631	69,640	33,937	43	27,650	61,630
Asia and Australia	67,092	103	11,093	78,288	36,831	134	14,211	51,176
Europe	307,242	16,914	6,610	330,766	286,799	16,815	6,366	309,980
Americas and others	134,185	88	37,764	172,037	98,297	66	28,344	126,707
	666,337	17,619	115,270	799,226	546,896	17,159	113,461	677,516

4 Segment information (continued)

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

(b) Earnings (losses) before interest expense and tax ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit (loss) from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

"EBIT - Established businesses" and "EBIT (LBIT) - Telecommunications - **3** Group" are presented before the change in fair value of investment properties and profit (loss) on disposal of investments and others.

(c) Included in EBIT of Finance & investments and others is the one-time profits on disposal of certain listed equity investments of HK$9,754 million (2006 - HK$1,815 million).

(d) Included in EBIT of Telecommunications - **3** Group in 2007 are foreign exchange gains totalling HK$1,898 million (2006 - HK$2,294 million) which mainly comprise a HK$1,123 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK$775 million gain arising from the Group's refinancing of certain non-Euro borrowings with Euro bank loans. Last year's balance mainly comprised a HK$1,731 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling notes and bank loans and a HK$428 million gain arising from the Group's refinancing of certain non-Swedish Krona borrowings with Swedish Krona bank loans.

(e) Included in capital expenditures of Telecommunications - **3** Group in 2007 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2007 which increased total expenditure by HK$1,433 million (2006 - HK$3,074 million).

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

(g) Included in total assets of Telecommunications - **3** Group is an unrealised foreign currency exchange gain arising in 2007 of HK$8,924 million (2006 - HK$19,505 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

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

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

Notes to the Accounts

5 Profit (loss) on disposal of investments and others

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

(a) The Group's share of Hutchison Telecommunications International's ("HTIL") gain on disposal of CGP Investments (Holdings) Limited ("CGP") represents the Group's share of the disposal gain of HTIL, a listed associated company of the Group at the time of the transaction, on the sale of CGP, which indirectly held its entire interest in its mobile business in India.

(b) In view of the continuing difficulties faced by its mobile telecommunications operation in Thailand, the Group's listed subsidiary, HTIL recognised an impairment charge of HK$3,854 million for its Thailand operation, mainly in respect of telecommunications network assets.

(c) Balance represents the Group's loss on listed subsidiary, Cheung Kong Infrastructure's ("CKI") sales of its entire equity and loan interests in Guangzhou ESW Ring Road and CKI's provision for investments in securities of an infrastructure project in Australia.

(d) Deemed dilution profit arose in connection with the issuance of new equity by the Group's listed subsidiary, Hutchison Telecommunications Australia Limited ("HTAL"), to acquire from a minority shareholder all the remaining interests in Hutchison 3G Australia, a non-wholly owned subsidiary.

(e) Write-off of customer acquisition and retention costs and content and other similar rights mainly comprises write-off of certain capitalised acquisition costs relating to customers migrating to lower tariff plans following a decision to discontinue certain promotional tariff plan offerings and write-off of capitalised intangible content costs relating to content that are less active.

(f) In December 2007, **3** UK entered into a network sharing agreement with another UK mobile communications operator. **3** UK's right to share the other UK mobile communications operator's mobile network assets gave rise to a gain of HK$19,788 million. This gain has been offset by the related costs to restructure **3** UK´s network infrastructure of the same amount, comprising a decommissioning charge against fixed assets of HK$11,060 million (see note 11), restructuring provision of HK$4,685 million (see note 26) and write off of prepayments amounting to HK$4,043 million.

(g) Profit on partial disposal of subsidiaries in 2006 arose from the disposal of 20% equity interest in Hutchison Port Holdings and Hutchison Ports Investments. The CDMA network closure costs related to the closure in August 2006 of the Group´s 2G CDMA services in Australia and the costs to migrate the 2G customers to the 3G network.

6 Directors´ emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2007 and 2006 are as below:

	2007					
	Fees	Basic salaries, allowances	Bonuses	Provident fund contributions	Inducement or compensation	Total emoluments

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

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2006 - HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

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

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$900,000 (2006 - HK$800,000).

(d) Non-executive director.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

(g) Resigned on 17 May 2007.

Notes to the Accounts

6 Directors´ emoluments (continued)

			2006			
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Inducement or compensation fees	Total emoluments
Name of directors	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
LI Ka-shing [a][f]	0.05	—	—	—	—	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.10	4.44	26.00	—	—	30.54
Paid by Cheung Kong Infrastructure	0.07	—	8.00	—	—	8.07
Paid to the Company	(0.07)	—	—	—	—	(0.07)
	0.10	4.44	34.00	—	—	38.54
FOK Kin-ning, Canning [b]	0.10	9.81	119.00	2.03	—	130.94
CHOW WOO Mo Fong, Susan [b]	0.10	7.34	26.00	1.47	—	34.91
Frank John SIXT [b]	0.16	7.32	25.88	0.64	—	34.00
LAI Kai Ming, Dominic [b]	0.10	4.86	12.10	0.89	—	17.95
KAM Hing Lam [b]						
Paid by the Company	0.10	2.25	6.30	—	—	8.65
Paid by Cheung Kong Infrastructure	0.07	4.20	3.87	—	—	8.14
Paid to the Company	(0.07)	(4.20)	—	—	—	(4.27)

	0.10	2.25	10.17	—	—	12.52
George Colin MAGNUS [(d)]						
Paid by the Company	0.10	—	—	—	—	0.10
Paid by Cheung Kong Infrastructure	0.07	—	—	—	—	0.07
	0.17	—	—	—	—	0.17
William SHURNIAK [(d) (e)]	0.20	—	—	—	—	0.20
Michael David KADOORIE [(c)]	0.10	—	—	—	—	0.10
Holger KLUGE [(c) (e) (f)]	0.25	—	—	—	—	0.25
Simon MURRAY [(c)]	0.10	—	—	—	—	0.10
OR Ching Fai, Raymond [(c)]	0.10	—	—	—	—	0.10
WONG Chung Hin [(c) (e) (f)]	0.25	—	—	—	—	0.25
Total	1.88	36.02	227.15	5.03	—	270.08

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2006 - Nil).

In 2007, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$5.95 million; provident fund contribution - HK$0.46 million; and bonus - HK$30.80 million. In 2006, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$5.96 million; provident fund contribution - HK$0.46 million; and bonus - HK$73.0 million.

7 Interest and other finance costs@#

#@

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

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

Notional non-cash interest accretion represents amortisation of upfront facility fees and other notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

8 Tax

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

Hong Kong profits tax has been provided for at the rate of 17.5% (2006 - 17.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, no deferred tax assets has been recognised for the losses of 3G businesses (2006 - nil) (See note 20).

Notes to the Accounts

8 Tax (continued)

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

	Established businesses	**Telecom-munications - 3 Group**	**2007 Total**

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

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

9 Dividends

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

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

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$30,600 million (2006 - HK$20,030 million) and on 4,263,370,780 shares in issue during 2007 (2006 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company´s subsidiary and associated companies have employee share options and convertible debts outstanding as at 31 December 2007. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2007 did not have a dilutive effect on earnings per share.

11 Fixed assets

	Land and buildings	**Telecom-munications network assets**	**Other assets**	**Total**
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Cost				
At 1 January 2006	31,176	71,100	75,698	177,974
Additions	3,570	687	18,152	22,409
Disposals	(1,167)	(1,066)	(2,263)	(4,496)
Relating to subsidiaries acquired	149	—	2,001	2,150
Relating to subsidiaries disposed of	(483)	—	(285)	(768)
Revaluation upon transfer to investment properties	44	—	—	44
Transfer from (to) other assets	5	(217)	(1,341)	(1,553)
Transfer between categories/investment properties/leasehold land	(174)	10,003	(9,794)	35
Exchange translation differences	1,171	8,723	6,524	16,418
At 1 January 2007	34,291	89,230	88,692	212,213
Additions	4,364	4,612	18,848	27,824
Disposals	(376)	(14,266)	(2,499)	(17,141)
Relating to subsidiaries acquired	498	29,307	7,325	37,130
Relating to subsidiaries disposed of	—	—	(78)	(78)

Revaluation upon transfer to investment properties	4	—	—	4
Transfer from (to) other assets	5	(123)	369	251
Transfer between categories/investment properties/leasehold land	1,015	4,664	(5,727)	(48)
Non-cash additions relating to **3** UK network sharing agreement[(a)]	—	19,788	—	19,788
Exchange translation differences	581	5,768	4,467	10,816
At 31 December 2007	40,382	138,980	111,397	290,759

Notes to the Accounts

11 Fixed assets (continued)

	Land and buildings	**Telecom-munications network assets**	**Other assets**	**Total**
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Accumulated depreciation and impairment				
At 1 January 2006	6,895	10,833	36,003	53,731
Charge for the year	951	7,226	5,706	13,883
Impairment recognised	—	25	6	31
Impairment reversed	—	—	(2)	(2)
Disposals	(228)	(465)	(1,854)	(2,547)
Relating to subsidiaries acquired	93	—	737	830
Relating to subsidiaries disposed of	(10)	—	(85)	(95)
Transfer from (to) other assets	—	(109)	188	79
Transfer between categories/investment properties/leasehold land	104	(607)	623	120
Exchange translation differences	264	1,604	4,134	6,002
At 1 January 2007	8,069	18,507	45,456	72,032
Charge for the year	1,025	4,638	11,953	17,616
Decommissioning charge relating to **3** UK network sharing agreement [(a)]	—	11,060	—	11,060
Impairment recognised [(b)]	—	2,938	756	3,694
Disposals	(264)	(14,250)	(1,849)	(16,363)
Relating to subsidiaries acquired	34	12,528	4,336	16,898
Relating to subsidiaries disposed of	—	—	(43)	(43)
Transfer from other assets	—	3	78	81
Transfer between categories/investment properties/leasehold land	507	(24)	(410)	73
Exchange translation differences	171	1,425	2,773	4,369
At 31 December 2007	9,542	36,825	63,050	109,417
Net book value				
At 31 December 2007	30,840	102,155	48,347	181,342
At 31 December 2006	26,222	70,723	43,236	140,181

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

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

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

Cost and net book value of fixed assets include HK$145,081 million (2006 - HK$118,665 million) and HK$101,841 million (2006 - HK$85,943 million) respectively, relating to 3G businesses. Impairment tests were undertaken at 31 December 2007 and 31 December 2006 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective businesses. Note 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

12 Investment properties

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

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

The Group´s investment properties comprise:

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

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

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

Notes to the Accounts

13 Leasehold land

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

The Group´s leasehold land comprises:

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

14 Telecommunications licences

	2007 HK$ millions	2006 HK$ millions
Net book value		
At 1 January	89,077	84,624
Additions	182	—
Relating to subsidiaries acquired	4,566	—
Amortisation for the year	(5,617)	(5,766)
Impairment recognised [a]	(397)	—

Exchange translation differences	4,086	10,219
At 31 December	91,897	89,077
Cost	121,787	109,768
Accumulated amortisation and impairment	(29,890)	(20,691)
	91,897	89,077

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

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2007 and 31 December 2006 to assess whether the carrying values of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 2(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated that no impairment charge was necessary.

Notes to the Accounts

15 Telecommunications postpaid customer acquisition and retention costs

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

16 Goodwill

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

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

In accordance with the Group's accounting policy on asset impairment (see note 1(x)), the carrying values of goodwill were tested for impairment as at 31 December 2007 and 31 December 2006. Note 2(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2007 and 31 December 2006 indicated no impairment charge was necessary.

17 Brand names and other rights

	Brand names HK$ millions	**Other rights** HK$ millions	**Total** HK$ millions
Net book value			
At 1 January 2007	1,835	5,747	7,582
Additions	—	572	572
Relating to subsidiaries acquired	—	4,660	4,660
Transfer from other assets	—	40	40
Amortisation for the year	—	(1,131)	(1,131)
Write off for the year	—	(1,757)	(1,757)
Exchange translation differences	125	810	935
At 31 December 2007	1,960	8,941	10,901
Cost	1,960	15,457	17,417
Accumulated amortisation	—	(6,516)	(6,516)
	1,960	8,941	10,901

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

The brand names as at 31 December 2007 primarily resulted from the acquisitions of Marionnaud and Merchant Retail group in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management´s long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2007 and the results of the tests indicated no impairment charge was necessary as at 31 December 2007.

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

Notes to the Accounts

18 Associated companies

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

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

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

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

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

18 Associated companies (continued)

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

	2007	2006
	HK$ millions	HK$ millions
Revenue	61,431	59,037
Expense	(34,864)	(32,873)

Group's share of HTIL's gain on disposal of CGP	35,820	—
EBITDA [(a)]	62,387	26,164
Depreciation and amortisation	(8,059)	(8,441)
Change in fair value of investment properties	15	760
EBIT [(b)]	54,343	18,483
Interest and other finance costs	(2,753)	(3,164)
Current tax	(1,833)	(2,629)
Deferred tax	(1,570)	(454)
Minority interests	(365)	(764)
Profit after tax	47,822	11,472

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

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

19 Interests in joint ventures

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

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

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

Notes to the Accounts

19 Interests in joint ventures (continued)

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

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

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

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

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

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

20 Deferred tax

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

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

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

Analysis of net deferred tax assets (liabilities):

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

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

At 31 December 2007, the Group has recognised deferred tax assets amounting to HK$17,619 million (2006 - HK$17,159 million) of which HK$16,646 million (2006 - HK$16,680 million) relates to the Group's 3G businesses.

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

Notes to the Accounts

20 Deferred tax (continued)

The potential net deferred tax asset mainly arising from unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK$45,737 million at 31 December 2007 (2006 - HK$35,576 million).

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

	2007	2006
	HK$ millions	HK$ millions
In the first year	15,845	6,473
In the second year	23,048	13,322
In the third year	22,302	20,156
In the fourth year	7,308	18,818

In the fifth to tenth years inclusive	14,328	8,004
	82,831	66,773

21 Other non-current assets

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

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2007 is 5.5% (2006 - 6.6%).

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

22 Liquid funds and other listed investments

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

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

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

The fair value of the available-for-sale investments and financial assets designated as “at fair value through profit or loss” are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2007 was HK$64,996 million (2006 - HK$62,480 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2007 was 5.2% (2006 - 5.7%).

Notes to the Accounts

22 Liquid funds and other listed investments (continued)

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

	2007			2006		
	Available-	Loans and	Financial	Available-	Loans and	Financial

	for-sale investments	receivables	assets at fair value through profit or loss	for-sale investments	receivables	assets at fair value through profit or loss
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
HK dollars	10%	11%	—	13%	—	—
US dollars	73%	87%	75%	72%	97%	73%
Euro	9%	—	—	8%	—	—
Others	8%	2%	25%	7%	3%	27%
	100%	100%	100%	100%	100%	100%

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

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

23 Cash and cash equivalents

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

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

24 Trade and other receivables

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

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value.

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

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

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

Notes to the Accounts

25 Trade and other payables

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

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

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

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

26 Provisions

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

Provisions analysed as:

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

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

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

Notes to the Accounts

27 Bank and other debts

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

Borrowings analysed as:

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

27 Bank and other debts (continued)

Borrowings are repayable as follows:

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

The bank and other loans of the Group are secured to the extent of HK$24,367 million (2006 - HK$30,385 million) of which HK$10,147 million (2006 - HK$15,646 million) and HK$3,878 million (2006 - HK$13,657 million) are non-guaranteed and guaranteed loans respectively for 3G businesses.

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

Borrowings amounting to HK$172,961 million (2006 - HK$146,340 million) bear interest at floating interest rates and borrowings amounting to HK$137,380 million (2006 - HK$136,700 million) bear interest at fixed interest rates.

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group´s total debt portfolio. At 31 December 2007, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$84,630 million (2006 - HK$89,700 million).

In addition, interest rate swap agreements with notional amount of HK$3,845 million (2006 - HK$8,650 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. The agreements have fixed interest payments ranging from 5.1% to 7.6% and were entered for a period of 3 years.

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

Notes to the Accounts

27 Bank and other debts (continued)

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

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

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

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

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

28 Interest bearing loans from minority shareholders

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

The carrying amount of the borrowings approximates their fair value.

29 Pension plans

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

@#

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

(a) Defined benefit plans

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

The Group´s major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2007 and 31 December 2006 using the projected unit credit method to account for the Group´s pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2007	**2006**
Discount rate applied to defined benefit plan obligations	3.20% - 6.00%	3.75% - 5.00%
Expected return on plan assets	3.72% - 8.00%	3.40% - 8.00%
Future salary increases	2.00% - 5.00%	2.00% - 4.00%
Interest credited on two principal plans in Hong Kong	5.00% - 6.00%	5.00% - 6.00%

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

Notes to the Accounts

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

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

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

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

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

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2007	**2006**

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

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

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

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

Fair value of the plan assets are analysed as follows:

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

Notes to the Accounts

29 Pension plans (continued)

(a) Defined benefit plans (continued)

The experience adjustments are as follows:

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

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2007. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group´s pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group´s major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong´s Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2006 reported a funding level of 108% of the accrued actuarial liabilities on an ongoing basis. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of

5% per annum. As at 31 December 2007 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$36 million (2006 - HK$31 million) were used to reduce the current year´s level of contributions and HK$5 million was available at 31 December 2007 (2006 - HK$4 million) to reduce future years´ contributions.

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

The Group´s defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two defined benefit pension plans for part of its retail operations in the United Kingdom. One was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The first formal valuation for funding purposes was carried out at 31 March 2003. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer´s contributions have been increased from April 2003 to fund the deficit over a period of 12 years. The main assumptions in the valuation are an investment return of 5.5% to 6.5% per annum and pensionable salary increases of 4% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited.

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

(b) Defined contribution plans@#

#@The Group´s costs in respect of defined contribution plans for the year amounted to HK$704 million (2006 - HK$529 million). Forfeited contributions totalling HK$2 million (2006 - HK$6 million) were used to reduce the current year´s level of contributions and no forfeited contribution was available at 31 December 2007 (2006 - nil) to reduce future years´ contributions.

30 Other non-current liabilities

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

31 Share capital

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

Notes to the Accounts

32 Equity

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

At 31 December 2007	1,066	28,359	28,954	8,563	243,072	310,014	48,644	358,658

32 Equity (continued)

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

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

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2007, revaluation reserve surplus amounted to HK$8,145 million (1 January 2007 - HK$3,787 million and 1 January 2006 - HK$1,291 million), hedging reserve surplus amounted to HK$167 million (1 January 2007 - deficit of HK$163 million and 1 January 2006 - deficit of HK$40 million) and other capital reserves surplus amounted to HK$251 million (1 January 2007 - HK$183 million and 1 January 2006 - HK$154 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cashflow hedges are included in the hedging reserve.

(c) The Group´s share of exchange reserve of associated companies and jointly controlled entities are gains of HK$2,749 million (2006 - HK$35 million) and HK$1,197 million (2006 - HK$588 million) respectively. The Group´s share of actuarial gains and losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to gains of HK$96 million (2006 - HK$156 million) and of HK$9 million (2006 - HK$13 million) respectively.

Notes to the Accounts

32 Equity (continued)

Capital management

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

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

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

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

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

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

33 Notes to consolidated cash flow statement

(a) **Reconciliation of profit after tax to cash generated from operating activities before interest and other finance costs, tax paid, 3 Group telecommunications expensed CACs[a] and changes in working capital**

	2007	2006
	HK$ millions	HK$ millions
Profit after tax	32,865	22,626
Adjustments for:		
Current tax charge	2,768	1,560
Deferred tax charge	1,651	1,417
Interest and other finance costs	19,054	16,601
Change in fair value of investment properties	(1,988)	(2,843)
Depreciation and amortisation	38,872	33,091
Non-cash items included in profit (loss) on disposal of investments and others	13,216	1,841
Share of associated companies´ and jointly controlled entities´		
Minority interests	365	764
Current tax charge	2,532	3,273
Deferred tax charge	1,579	901
Interest and other finance costs	3,446	3,745
Change in fair value of investment properties	(7)	(959)
Depreciation and amortisation	9,220	9,342
EBITDA[b]	123,573	91,359
3 Group telecommunications expensed CACs	5,732	5,494
EBITDA before 3 Group telecommunications expensed CACs	129,305	96,853
Share of EBITDA of associated companies and jointly controlled entities	(68,295)	(31,613)

Profit on disposal of unlisted investments	(14)	(121)
Loss (profit) on disposal of fixed assets, leasehold land and investment properties	54	(605)
Dividends received from associated companies and jointly controlled entities	23,412	6,554
Distribution from property jointly controlled entities	2,685	1,875
Profit on disposal of subsidiary and associated companies and jointly controlled entities	(2,202)	(24,873)
Other non-cash items	1,461	1,026
	86,406	49,096

a CACs represents customer acquisition costs and contract customer retention costs.

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

Notes to the Accounts

33 Notes to consolidated cash flow statement (continued)

(b) Changes in working capital

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

(c) Purchase of subsidiary companies

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

33 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

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

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

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

Acquisition of HTIL

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

Notes to the Accounts

33 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies (continued)

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

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

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

33 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies

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

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

(e) Partial disposal of subsidiary companies

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

34 Share-based payments

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

35 Pledge of assets

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

Notes to the Accounts

36 Contingent liabilities

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

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

	2007 HK$ millions	**2006** HK$ millions
To associated companies		
Telecommunications businesses	—	8,141
Other businesses	2,522	—
	2,522	8,141
To jointly controlled entities		
Property businesses	2,996	3,213
Other businesses	1,172	1,968
	4,168	5,181

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

37 Commitments

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

Capital commitments

1. Contracted for:

i. Container terminals, Hong Kong - HK$60 million (2006 - nil)

ii. Container terminals, Mainland China - HK$2,422 million (2006 - HK$4,412 million)

iii. Container terminals, others - HK$3,620 million (2006 - HK$1,771 million)

iv. Telecommunications - **3** Group - HK$5,840 million (2006 - HK$4,984 million)

v. Telecommunications - HK$3,070 million (2006 - nil)

vi. Investment properties outside Hong Kong - HK$2 million (2006 - nil)

vii. Investment in Joint Venture outside Hong Kong - HK$830 million (2006 - HK$13 million)

viii. Other fixed assets - HK$664 million (2006 - HK$43 million)

2. Authorised but not contracted for:

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

i. Container terminals, Hong Kong - HK$380 million (2006 - HK$219 million)

ii. Container terminals, Mainland China - HK$4,750 million (2006 - HK$1,997 million)

iii. Container terminals, others - HK$14,997 million (2006 - HK$8,145 million)

iv. Telecommunications - **3** Group - HK$11,656 million (2006 - HK$10,609 million)

v. Telecommunications - HK$4,673 million (2006 - nil)

vi. Investment properties outside Hong Kong - HK$949 million (2006 - HK$1,025 million)

vii. Investment in Joint Venture outside Hong Kong - HK$176 million (2006 - HK$278 million)

viii. Other fixed assets - HK$8,066 million (2006 - HK$2,852 million)

37 Commitments (continued)

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

Established Businesses

1. In the first year - HK$8,075 million (2006 - HK$6,622 million)

2. In the second to fifth years inclusive - HK$21,329 million (2006 - HK$19,494 million)

3. After the fifth year - HK$46,122 million (2006 - HK$43,096 million)

Telecommunications - **3** Group

1. In the first year - HK$2,495 million (2006 - HK$2,008 million)

2. In the second to fifth years inclusive - HK$7,213 million (2006 - HK$5,805 million)

3. After the fifth year - HK$11,847 million (2006 - HK$11,086 million)

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

Established Businesses

1. In the first year - HK$422 million (2006 - HK$182 million)

2. In the second to fifth years inclusive - HK$312 million (2006 - HK$320 million)

3. After the fifth year - HK$142 million (2006 - HK$203 million)

Telecommunications - **3** Group

1. In the first year - HK$27 million (2006 - HK$33 million)

2. In the second to fifth years inclusive - HK$71 million (2006 - HK$91 million)

3. After the fifth year - HK$223 million (2006 - HK$101 million)

Other commitments

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

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 18 and 19 are unsecured. Balances totalling HK$3,091 million (2006 - HK$2,145 million) are interest bearing.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2007, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK$22,509 million (2006 - HK$21,674 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$2,996 million (2006 - HK$3,213 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 6.

39 Legal proceedings

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

Notes to the Accounts

40 Subsequent events

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

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

41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2007, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into United States dollars at this or any other rate.

42 Approval of accounts

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

43 Profit before tax

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

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

43 Profit before tax (continued)

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

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

Notes to the Accounts

44 Financial risk management

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

(a) Cash management and funding

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

(b) Interest rate exposure

The Group's main interest risk exposures relate to US dollar, British pound, Euro and HK dollar borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses a combination of interest rate swaps and forward rate agreements to manage its long-term interest rate exposure and exposure to short-term interest rate volatility respectively, as described in note 27.

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

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are appropriate. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimised using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist, as described in note 1(n). During the year, the HK dollar weakened against the currencies of most of those countries where the Group has overseas operations. This gave rise to an unrealised gain of HK$6,788 million (2006 - HK$15,416 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves.

44 Financial risk management (continued)

(c) Foreign currency exposure (continued)

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

(d) Credit exposure

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

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

(e) Market price risk

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

(f) Market risks sensitivity analyses

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

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

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

Notes to the Accounts

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i)

Interest rate sensitivity analysis

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

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

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

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

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

(ii)

Foreign currency exchange rate sensitivity analysis

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

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

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

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

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii)

Foreign currency exchange rate sensitivity analysis (continued)

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

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

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

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

Further information on the Group's financial instruments are set out in notes 22 and 27 and also in the section "Group Capital Resources and

Liquidity" set out on pages 58 to 62 of the Annual Report.

(iii)

Market price sensitivity analysis

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

- profit for the year would increase by HK$104 million (2006 - HK$106 million) due to increase in gains on financial assets measured at fair value through profit or loss;

- total equity would increase by HK$104 million (2006 - HK$106 million) due to increase in gains on financial assets measured at fair value through profit or loss; and

- total equity would increase by HK$6,396 million (2006 - HK$6,142 million) due to increase in gains on available-for-sale investments.

Notes to the Accounts

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

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

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

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

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

	363,381	368,674	88,324	168,908	111,442

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

Notes to the Accounts

45 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the balance sheet of the Company as at 31 December 2007 is set out as follows:

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

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

45 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 198 to 203.

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

(c) Reserves

	Share premium	Retained profit	Total
	HK$ millions	HK$ millions	HK$ millions
At 1 January 2006	28,359	58,869	87,228
Profit for the year	—	7,472	7,472
Unclaimed dividend paid write back	—	35	35
Dividends paid relating to 2005	—	(5,201)	(5,201)
Dividends paid relating to 2006	—	(2,174)	(2,174)
At 31 December 2006	28,359	59,001	87,360
Profit for the year	—	16,032	16,032
Unclaimed dividend paid write back	—	8	8
Dividends paid relating to 2006	—	(5,201)	(5,201)
Dividends paid relating to 2007	—	(2,174)	(2,174)

At 31 December 2007	28,359	67,666	96,025

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated borrowings included in note 27 totalling HK$310,341 million (2006 - HK$283,040 million), the Company has guaranteed a total of HK$245,322 million (2006 - HK$230,229 million) which has been borrowed in the name of subsidiary companies.

(f) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the associated companies and jointly controlled entities totalling HK$470 million (2006 - HK$8,718 million). This amount has been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$16,032 million (2006 - HK$7,472 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated profit and loss account.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2007 amounting to HK$67,666 million (2006 - HK$59,001 million).

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2007

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Ports and related services				
#	Alexandria International Container Terminals Company S.A.E.	Egypt	USD30,000,000	30	Container terminal operating
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	USD25,400	80	Holding company & mid-stream container operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS10,000,000	80	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HKD40	27	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP160,195,000	80	Container terminal operating
	Europe Container Terminals B. V.	Netherlands	EUR45,380,000	78	Container terminal operating
	Freeport Container Port Limited	Bahamas	B$2,000	48	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN11,379,300	79	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP16,812,002	80	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HKD20	53	Holding company & container terminal operating
✡	The Hongkong Salvage and Towage Company Limited	Hong Kong	HKD20,000,000	40	Tug fleet operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD76,000,000	40	Ship repairing & general engineering
✡	Huizhou Port Industrial Corporation Limited	China	RMB300,000,000	27	Container terminal operating
	Hutchison Atlantic Limited	British Virgin Islands	USD10,000	80	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	USD2	80	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	USD26,000,000	80	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB1,000,00	64	Container terminal

			0,000		operating
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP50,000	80	Finance
	Hutchison Port Investments Limited	Cayman Islands	USD74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR12,500	80	Holding company
	Hutchison Westport Investments Limited	British Virgin Islands	USD2	80	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR2,000,000	41	Container terminal operating
✡❈	Jiangmen International Container Terminals Limited	China	USD14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	Won45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP50,000,000	80	Container terminal operating
	Laemchabang International Ro-Ro Terminal Limited	Thailand	THB50,000,000	64	Ro-Ro Terminal operation
✡❈	Nanhai International Container Terminals Limited	China	USD42,800,000	40	Container terminal operating
✡❈	Ningbo Beilun International Container Terminals Limited	China	RMB700,000,000	39	Container terminal operating
+	Oman International Container Terminal L.L.C.	Oman	OMR4,000,000	52	Container terminal operating
	Panama Ports Company, S. A.	Panama	USD10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP100,002	80	Container terminal operating
+	PT Hutchison Ports Indonesia	Indonesia	IDR130,000,000,000	80	Container terminal operating
	PT Jakarta International Container Terminal	Indonesia	IDR221,450,406,500	41	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	USD1	40	River trade terminal operation
	Ports and related services (continued)				
✡❈	Shanghai Container Terminals Limited	China	RMB2,000,000,000	30	Container terminal operating
✡❈+	Shanghai Mingdong Container Terminals Limited	China	RMB4,000,000,000	40	Container terminal operating
❈	Shantou International Container Terminals Limited	China	USD88,000,000	56	Container terminal operating
†	Shenzhen Hutchison Inland Container Depots Co., Ltd	China	HKD92,000,000	57	Inland container depots services
❈	Shenzhen Yantian West Port Terminals Limited	China	RMB1,000,000,000	34	Container terminal operating
	SupplyLINE Logistics Limited	Hong Kong	HKD10,000	41	Logistics services
	Talleres Navales de Golfo, S.A. de C.V.	Mexico	MXP143,700,000	80	Marine construction and ship repair yard
	Terminal Catalunya, S.A.	Spain	EUR2,342,800	56	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB800,000,000	70	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS1,801,666,000	56	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP2	80	Container terminal operating
+ #	Westports Holdings Sdn. Bhd.	Malaysia	MYR117,000,000	25	Holding company
✡❈	Xiamen International Container Terminals Limited	China	RMB1,148,700,000	39	Container terminal operating
❈	Yantian International Container Terminals Limited	China	HKD2,400,000,000	38	Container terminal operating
❈	Yantian International Container Terminals (Phase III) Limited	China	HKD6,056,960,000	34	Container terminal operating
✡❈	Zhuhai International Container Terminals(Gaolan) Limited	China	USD105,750,000	40	Container terminal operating
✡❈	Zhuhai International Container Terminals (Jiuzhou) Limited	China	USD52,000,000	40	Container terminal operating

	Property and hotels				
	Aberdeen Commercial Investments Limited	Hong Kong	HKD2	100	Property owning
✡ @	Cheung Kong Hutchison (Guangzhou Nansha) Property Development Limited	China	RMB160,000,000	50	Property management & consultancy
+	Consolidated Hotels Limited	Hong Kong	HKD78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HKD2	100	Property owning
	Foxton Investments Limited	Hong Kong	HKD10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HKD1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HKD100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	USD2	50	Hotel management
	Harley Development Inc.	Panama /Hong Kong	USD2	100	Property owning
	Hongville Limited	Hong Kong	HKD2	100	Property owning
✡ †	Hutchison Enterprises (Chongqing) Limited	China	RMB470,000,000	50	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HKD50,000	100	Property management, agency & related services
	Hutchison Hotel Hong Kong Limited	Hong Kong	HKD2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	USD1	100	Holding company
✡	Hutchison LR Development Limited	British Virgin Islands	USD100	45	Property investment
	Hutchison Lucaya Limited	Bahamas	USD5,000	100	Investment in hotel
	Hutchison Whampoa Properties Limited	Hong Kong	HKD2	100	Holding company
✡ †+	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	USD27,193,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Changchun) Limited	China	USD34,870,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Changsha Wangcheng) Limited	China	RMB149,000,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB1,050,000,000	50	Property developing & investment

Principal Subsidiary and Associated Companies and Jointly Controlled Entities
at 31 December 2007

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Property and hotels (continued)				
✡❄+	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB460,000,000	48	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB250,000,000	50	Property developing
✡ †+	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB190,000,000	50	Property developing & investment
✡ †+	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB600,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HKD20	100	Project management & related services
# @+	Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	USD240,000,000	25	Property developing & investment
✡ @	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	USD48,550,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	China	USD54,000,000	50	Property developing & investment
✡ †	Hutchison Whampoa Properties (Tianjin) Limited	China	USD47,500,000	40	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	USD54,400,000	50	Property developing & investment
✡ @+	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	USD59,300,000	50	Property developing

			00		
✡ @	Hutchison Whampoa Properties (Xi An) Limited	China	USD59,600,000	50	Property developing
✡ @+	Hutchison Whampoa Properties (Zhuhai) Company Limited	China	USD15,000,000	50	Property developing & investment
	Hybonia Limited	Hong Kong	HKD20	100	Property owning
✡❅+	Jiangmen Hutchison Whampoa Properties Limited	China	RMB120,000,000	45	Property developing
✡ +	Konorus Investment Limited	Hong Kong	HKD2	43	Property developing
✡ +	Marketon Investment Limited	Hong Kong	HKD4	50	Property owning
	Matrica Limited	Hong Kong	HKD20	70	Property owning and hotel operation
	Mossburn Investments Limited	Hong Kong	HKD1,000	100	Property owning
	Omaha Investments Limited	Hong Kong	HKD10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HKD100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HKD2	100	Property owning
#+	Randash Investment Limited	Hong Kong	HKD110	39	Investment in hotel
✡ †+	Regal Lake Property Development Limited Guang Zhou	China	RMB1,040,640,000	40	Property developing
	Rhine Office Investments Limited	Hong Kong	HKD2	100	Property owning
✡ @+	Shanghai Cheung Tai Property Development Limited	China	RMB870,000,000	50	Property developing
✡ @+	Shanghai Helian Property Development Co., Ltd.	China	USD74,700,000	50	Property developing
✡ †	Shanghai Westgate Mall Co., Ltd.	China	USD40,000,000	30	Property owning
✡ †	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB620,000,000	40	Property developing & investment
✡ @	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB250,000,000	50	Property developing
✡ @	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	USD5	50	Investment in hotel
	Trillium Investment Limited	Bahamas/Hong Kong	USD1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HKD2	100	Property owning
	Vember Lord Limited	Hong Kong	HKD2	100	Property owning
	Retail				
	A.S. Watson & Company, Limited	Hong Kong	HKD109,550,965	100	Holding company
	A.S.Watson (Europe) Holdings B.V.	Netherlands	EUR18,200	100	Holding company
	A.S. Watson Group Holdings Limited	British Virgin Islands	USD1	100	Holding company
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	USD1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distribution
	A.S.Watson (France) SNC	France	EUR37,000	100	Holding company
	A/S Drogras	Latvia	LVL1,280,000	100	Retailing
	DC Ukraine	Ukraine	UAH29,300,000	65	Retailing
# +	Dirk Rossmann GmbH	Germany	EUR12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HKD20	100	Retailing
❅	Guangzhou Watson´s Food and Beverages Co. Ltd.	China	USD32,283,432	95	Beverage manufacturing & trading
	Kruidvat B.V.B.A.	Belgium	EUR62,000	100	Retailing
	Kruidvat Retail B.V.	Netherlands	EUR20,000	100	Retailing
+	Marionnaud Parfumeries S A	France	EUR70,486,570	100	Perfume retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HKD20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd.	Singapore	SGD2	50	Operation of duty free shops
	Park´N Shop Limited	Hong Kong	HKD1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP1,400,000	100	Retailing

Spektr Group Limited Liability Company	Russia	RUB3,000,000	100	Retailing
Superdrug Stores plc	United Kingdom	GBP22,000,000	100	Retailing
The Perfume Shop Limited	United Kingdom	GBP100,000	100	Perfume retailing
Watson´s Personal Care Stores (Taiwan) Co., Limited	Taiwan	NT$711,000,000	100	Retailing
Watson´s Personal Care Stores Pte Ltd	Singapore	SGD5,000,000	100	Retailing
Watson´s Personal Care Stores Sdn. Bhd.	Malaysia	MYR5,000,000	100	Retailing
Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP135,000,000	60	Retailing
Watson´s The Chemist Limited	Hong Kong	HKD1,000,000	100	Retailing

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2007

	Subsidiary and associated companies and jointly controlled entities	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Energy and infrastructure				
✻+	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HKD2,254,209,945	85	Holding Company
✻#+	Hongkong Electric Holdings Limited	Hong Kong	HKD2,134,261,654	33	Electricity generating
✻#+	Husky Energy Inc.	Canada	C$3,533,276,440	35	Investment in oil and gas
	Finance and investments and others				
	Binion Investment Holdings Limited	Cayman Islands	USD3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HKD2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HKD139,254,060	100	Holding company
	Hutchison International Finance (01/08) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Finance (03/08) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison International Limited	Hong Kong	HKD446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	USD1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR1,764,026,850	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (05) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (06) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa Finance UK plc	United Kingdom	GBP50,000	100	Finance

	Hutchison Whampoa International (01/11) Limited	British Virgin Islands	USD1	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	USD1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	USD1	100	Finance
	Strategic Investments International Limited	British Virgin Islands	USD1	53	Overseas portfolio investment
	Zeedane Investments Limited	British Virgin Islands	USD1	100	Overseas portfolio investment
✡❉+	Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD65,000,000	50	Aircraft maintenance
✻	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HKD894,944,470	72	Trading & manufacturing of toys
✻	Hutchison China MediTech Limited	Cayman Islands/China	USD51,229,174	72	Holding company of pharmaceuticals and healthcare businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HKD15,000,000	100	Investment holding & China services
#	Metro Broadcast Corporation Limited	Hong Kong	HKD1,000,000	50	Radio broadcasting
✻#	TOM Group Limited	Cayman Islands/ Hong Kong	HKD389,327,056	24	Cross media
	Telecommunications				
✻	Hutchison Telecommunications International Limited	Cayman Islands/ Hong Kong	HKD1,195,540,719	50.1	Holding company
	Hutchison Global Communications Limited	Hong Kong	HKD20	50.1	Fixed line communications
	Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HKD20	50.1	Holding company & mobile telecommunications services
✻	Partner Communications Company Ltd.	Israel	NIS1,573,208	25	Mobile telecommunications services
	PT. Hutchison CP Telecommunications	Indonesia	IDR649,890,000,000	30	Mobile telecommunications services
	3 Italia S. p. A.	Italy	EUR6,512,715,450	97	3G mobile multimedia services
	Hi3G Access AB	Sweden	SEK10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	EUR35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP1	100	3G mobile multimedia services
✻	Hutchison Telecommunications (Australia) Limited	Australia	AUD1,045,193,771	52	Holding company & 3G multimedia services

The above table lists the principal subsidiary and associated companies and jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation. The activity of portfolio investment and e-commerce business is international, and not attributable to a principal place of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and jointly controlled entities are held indirectly.

✻ Company listed on the Stock Exchange of Hong Kong except Partner Communications Company Ltd. which is listed on the Tel Aviv Exchange and quoted on the Nasdaq Stock Market, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison China MediTech Limited which is listed on the Alternative Investment Market of London Stock Exchange and Hutchison Telecommunications International Limited which is also listed on the New York Stock Exchange.

Associated companies

✡ Jointly controlled entities

❅ Equity joint venture registered under PRC law

† Cooperative joint venture registered under PRC law

#@Wholly owned foreign enterprise (WOFE) registered under PRC law

+ The accounts of these subsidiary and associated companies and jointly controlled entities have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets, turnover (excluding share of associated companies and jointly controlled entities) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 11.6% and 7.3% of the Group’s respective items.

GLOSSARY OF CERTAIN TERMS

Aggregates — rock, generally granite, which has been crushed into different sizes for use in the construction industry.

CDMA — Code Division Multiple Access cellular telephone technology.

Cellular network operator — an operator of a cellular telephone network.

EBIT / (LBIT) — Earnings / (losses) before interest expense, other finance costs, taxation and minority interests.

GPRS — General Packet Radio System.

GSM — Global System for Mobile Communications cellular telephone technology.

IDD — International Direct Dial.

km — kilometer.

MHz — megahertz.

MW — megawatt, equal to 1,000 kilowatts.

NPC — the National People's Congress of China.

PCS — Personal Communications Service, System or Network cellular telephone technology.

SAR — Special Administrative Region of the PRC.

square meter — equivalent to approximately 10.764 square feet.

TEU — Twenty foot equivalent unit, which is the amount of cargo that can be shipped in a container 20 feet long by 8 feet wide by 8 feet 6 inches high with a maximum load of 24 tons.

UMTS — Universal Mobile Telecommunications Systems.

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