OFFERING MEMORANDUM **CONFIDENTIAL**

US$1,000,000,000

Hutchison Whampoa International (12) Limited

(incorporated in the Cayman Islands with limited liability)

Subordinated Guaranteed Perpetual Capital Securities unconditionally and irrevocably guaranteed on a subordinated basis by

Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

Offer Price:100% plus accrued Distributions, if any

The subordinated guaranteed perpetual capital securities (the "Securities") will be issued in an initial aggregate principal amount of US$1,000,000,000 by Hutchison Whampoa International (12) Limited (the "Issuer") and the due and punctual payment of all sums payable by the Issuer in respect of the Securities upon a Winding-Up (as defined in "Description of the Securities and the Guarantee") of the Issuer will be unconditionally and irrevocably guaranteed on a subordinated basis (the "Guarantee") by Hutchison Whampoa Limited (the "Guarantor").

The Securities confer a right to receive distributions (each a "Distribution") at the applicable rate described below for the period from and including May 7, 2012 or from and including the most recent Distribution Payment Date (defined below) to, but excluding, the next Distribution Payment Date or any redemption date. Subject to the provisions of the Securities relating to deferral of Distributions (see "Description of the Securities and the Guarantee — Distributions — Distribution Deferral"), Distributions are payable semi-annually in arrears on the Distribution Payment Dates of each year. "Distribution Payment Date" shall mean May 7 and November 7 in each year, commencing November 7, 2012. Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from and including May 7, 2012 to, but excluding, May 7, 2017 shall accrue on the outstanding principal amount of the Securities at a rate of 6.000% per annum, (ii) from and including May 7, 2017 to, but excluding, May 7, 2022 shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate (as defined in "Description of the Securities and the Guarantee") in respect of May 7, 2017 plus 5.176% per annum, and (iii) from and including May 7, 2022 to, but excluding, any redemption date shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate in respect of May 7, 2022 or each subsequent Reset Date (as defined in "Description of the Securities and the Guarantee"), as the case may be, plus 5.176% per annum plus 1.0000% per annum, such rate to be reset on May 7, 2022 and each subsequent Reset Date pursuant to the terms of the Securities as described in "Description of the Securities and the Guarantee".

The Issuer may, at its sole discretion, elect to defer payment of Distributions, in whole or in part, which are otherwise scheduled to be paid on a Distribution Payment Date, to the next Distribution Payment Date by giving notice not more than ten nor less than five Business Days prior to a scheduled Distribution Payment Date. Any Distribution validly deferred pursuant to the terms of the Securities shall constitute "Arrears of Distribution". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the applicable rate described above and the amount of such accrued Distributions with respect to Arrears of Distribution shall be due and payable on the following Distribution Payment Date, unless further deferred in accordance with the terms of the Securities.

The Securities are perpetual securities and have no fixed final redemption date. On May 7, 2017 and on each Distribution Payment Date thereafter, the Issuer may redeem the Securities, 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 any Distributions accrued to, but excluding, the date fixed for redemption. The Securities may also be redeemed in whole, but not in part, at the option of the Issuer or the Guarantor at a redemption price equal to the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption upon the occurrence of certain changes in the Cayman Islands, Hong Kong or PRC tax law requiring the payment of Additional Amounts (as defined in "Description of the Securities and the Guarantee"). In addition, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at a redemption price equal to (i) the Early Redemption Amount (as defined in "Description of the Securities and the Guarantee") plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs prior to May 7, 2017, or (ii) the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs on or after May 7, 2017, upon the occurrence of (A) a change in the equity classification ascribed to the Securities and/or the Guarantee by a ratings agency which results in an equity credit of below 50% for the Securities and/or the Guarantee; or (B) any change or amendment to, or any change or amendment to any interpretations of, the Relevant Accounting Standard (as defined in "Description of the Securities and the Guarantee") such that the Securities, in whole or in part, must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard.

Application will be made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in and the listing of the Securities on the SGX-ST. 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 Securities on the SGX-ST and/or approval-in-principle for such listing and quotation is not to be taken as an indication on the merits of the Issuer, the Guarantor or the Securities.

The Securities are expected to be rated "BBB" by Fitch Ratings Ltd. ("Fitch"), "Baa2" by Moody's Investors Service Limited ("Moody's") and "BBB" by Standard & Poor's Ratings Services ("S&P"), a division of the McGraw-Hill Companies, Inc. See "Ratings".

Investing in the Securities involves risks that are described in the "Risk Factors" section beginning on page 21 of this offering memorandum.

The Securities 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 Securities 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 Securities 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 Securities will be ready for delivery through the facilities of The Depository Trust Company against payment in New York, New York on or about May 7, 2012.

Joint Bookrunners and Joint Lead Managers

Goldman Sachs (Asia) L.L.C. **HSBC**

The date of this offering memorandum is May 2, 2012.

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Except as discussed below, Hutchison Whampoa International (12) 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 Securities 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 in this offering memorandum. The Issuer and the Guarantor have not, and the Initial Purchasers (see "Plan of Distribution" for the identity of the 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 Securities, 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. Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Issuer has submitted this offering memorandum to a limited number of institutional investors so that they can consider a purchase of the Securities. 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 Securities which is material in the context of the issue and the offering of the Securities, 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 Securities, including the merits and risks involved.

Neither the Issuer nor the Guarantor is making any representation to any purchaser of the Securities regarding the legality of an investment in the Securities 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 Securities.

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.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, 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 SECURITIES 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.

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.

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 (or "associates") and joint ventures on the basis set forth in notes 2(b), 2(c) and 2(d), respectively, to the consolidated financial statements of Hutchison for the year ended December 31, 2011 included elsewhere in this offering memorandum. For purposes of this offering memorandum only, "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 April 27, 2012, 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$7.7592 = US$1.00. This offering memorandum also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB"), Singapore Dollar ("S$") 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 associates and jointly controlled entities (or "JCEs") except for Hutchison Port Holdings Trust ("HPH Trust") / HPH Trust operations, which are included based on Hutchison's effective share of EBIT for those operations. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in Hutchison's financial information and consolidated financial statements and is used by many industries and investors as one measure of results 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 results 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 associates and JCEs except for HPH Trust / HPH Trust operations which are included based on Hutchison's effective share of EBITDA for those operations. EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortization, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA 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 flows or results 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 the Guarantor 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 April 16, 2012. 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-267983.

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 Securities are outstanding and will initially invest the net proceeds of the Securities in equity securities of one or more direct or indirect 100%-owned subsidiaries of Hutchison. 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. As of December 31, 2011, 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 six core business divisions in 53 countries: ports and related services; property and hotels; retail; infrastructure; energy; and telecommunications, as well as finance & investments and other operations. Significant developments in Hutchison's business since December 31, 2011 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. Through its 80%-owned subsidiaries, Hutchison Port Holdings and Hutchison Ports Investments S.à r.l. (collectively "Hutchison Ports"), and its 27.6%-owned associate, HPH Trust (together with Hutchison Ports, collectively "Hutchison's ports and related services division"), Hutchison holds interests in 52 ports in 26 countries, including interests in container terminals operating in six of the 10 busiest container ports in the world in terms of container throughput. In 2009, 2010 and 2011, Hutchison's ports and related services division handled combined container throughput of 65.3 million, 75.0 million and 75.1 million Twenty Foot Equivalent Units ("TEUs"), respectively. Hutchison has interests in various locations including:

- the Mainland, where Hutchison Ports holds interests in Shanghai Container Terminal ("SCT") (which ceased its container handling business in January 2011), Shanghai Pudong International Container Terminals ("SPICT"), Shanghai Mingdong Container Terminals ("SMCT"), Ningbo Beilun International Container Terminals ("NBCT"), as well as other ports, and HPH Trust holds interests in Yantian International Container Terminals ("YICT");

- Hong Kong, the third busiest container port in the world in 2011, in terms of container throughput, where Hutchison, through its associate HPH Trust, holds interests in 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 which is listed on SEHK;
- the Netherlands, where Hutchison Ports holds interests in Europe Container Terminals ("ECT") in Rotterdam and Amsterdam Container Terminals ("ACT") in Amsterdam;
- the UK, where Hutchison Ports holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe, London Thamesport and Harwich International Port;
- Continental Europe, where Hutchison Ports holds interests in Terminal Catalunya ("TERCAT") in Spain, Gdynia Container Terminal ("GCT") in Poland, Taranto Container Terminal ("TCTI") in Italy as well as the right to operate Container Terminal Frihamnen ("CTF") in Sweden;
- Malaysia, where Hutchison Ports holds interests in Westports Malaysia ("KMT") at Port Klang;
- Panama, where Hutchison Ports holds interests in Panama Ports Company ("PPC"), which operates terminals at Cristobal and Balboa ports, located near each end of the Panama Canal;
- Indonesia, where Hutchison Ports holds interests in Jakarta International Container Terminal ("JICT") and Koja Container Terminal;
- South Korea, where Hutchison Ports operates two terminals in Busan Port through Hutchison Korea Terminals ("HKT"), and one terminal in Gwangyang Port through Korea International Terminals ("KIT");
- Mexico, where Hutchison Ports 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;
- Saudi Arabia, where Hutchison Ports holds interests in International Ports Services ("IPS") at Dammam;
- Thailand, where Hutchison Ports holds interests in Thai Laemchabang Terminal ("TLT") and Hutchison Laemchabang Terminal ("HLT") at Laem Chabang;
- the Bahamas, where Hutchison Ports holds interests in Freeport Container Port ("FCP") on Grand Bahama Island;
- Pakistan, where Hutchison Ports holds interests in Karachi International Container Terminal ("KICT") and South Asia Pakistan Terminals ("SAPT");
- Egypt, where Hutchison Ports holds interests in Alexandria International Container Terminals ("AICT"), which operates terminals at Alexandria and El Dekheila Ports;
- Tanzania, where Hutchison Ports holds interests in Tanzania International Container Terminal Services ("TICT") at Dar es Salaam;
- Argentina, where Hutchison Ports holds interests in Buenos Aires Container Terminal Services ("BACTSSA");
- Oman, where Hutchison Ports holds interests in Oman International Container Terminal ("OICT") at the Port of Sohar, Oman;
- Vietnam, where Hutchison Ports holds interests in Saigon International Terminals Vietnam ("SITV") in Ba Ria Vung Tau Province, in southern Vietnam;
- Australia, where Hutchison Ports holds interests in Brisbane Container Terminals ("BCT") at the Port of Brisbane and Sydney International Container Terminals ("SICTL") at Port Botany; and

- The United Arab Emirates ("UAE"), where Hutchison Ports holds interest in Hutchison Ajman International Terminals ("HAJT") in Ajman.

The division also has interests in other ports and port development projects, ship repair, salvage and towage operations in Hong Kong and inland container depot operations in the Mainland, as well as air cargo handling services at the Hong Kong International Airport. The ports and related services division contributed 9% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 8% and 16% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Property and Hotels

Hutchison's property and hotels division:

- held, as of December 31, 2011, a rental portfolio of approximately 13.8 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 turnover 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, Japan and the UK. Hutchison has a current attributable landbank which can be developed into approximately 99 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 seven are managed by its 50%-owned hotel management joint venture.

The property and hotels division contributed 5% and 23% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 4% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

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 of December 31, 2011, AS Watson had 10,021 stores in 33 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 38% and 20% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 37% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Cheung Kong Infrastructure

As at December 31, 2011, Hutchison held an 81.53% 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, the UK, Australia, New Zealand and Canada. CKI's major interests are:

- a 38.87% interest in Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited) ("Power Assets"), a listed company in Hong Kong that, through a wholly-owned subsidiary, Hongkong Electric, generates, transmits and is the sole distributor of electricity to Hong Kong Island and Lamma Island;
- together with Power Assets, a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in each of (i) ETSA Utilities, the primary electricity distributor in the State of South Australia; (ii) Powercor Australia Limited ("Powercor"), one of the largest electricity distributors in the State of Victoria; and (iii) CitiPower I Pty Ltd ("CitiPower"), another major electricity distributor in the State of Victoria;

- together with Power Assets, an 80% interest (CKI: 40%; Power Assets: 40%) in UK Power Networks Holdings Limited ("UK Power Networks"), which owns, operates and manages three regulated electricity distribution networks in the UK that cover London, the South East of England and the East of England. UK Power Networks is also engaged in certain non-regulated electricity distribution businesses in the UK, including the distribution of electricity to a number of privately owned sites;

- a 40% interest in UK Water (2011) Limited ("UK Water"), which owns a 100% interest in Northumbrian Water Group Limited ("Northumbrian Water"), one of the 10 regulated water and sewerage companies in England and Wales, which operates in the water supply, sewerage and waste water industries in the UK. Northumbrian Water provides water and sewerage services to 2.7 million people in the North East of England and water services to 1.8 million people in the South East of England. In addition, Northumbrian Water's operations include a business comprising Kielder Reservoir, the largest man-made reservoir in Northern Europe, as well as a portfolio of long-term water and waste water contracts;

- together with Power Assets, an 88.35% interest (CKI: 47.06%; Power Assets: 41.29%) in Northern Gas Networks Holdings Limited ("Northern Gas"), 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 Power Assets, a 100% interest (on a 50/50 basis) in Electricity First Limited, which owns a 50% interest in Seabank Power Limited ("Seabank Power"). Seabank Power owns and operates Seabank Power Station, which is located near Bristol, England and comprises two combined cycle gas turbine generating units with an aggregate capacity of approximately 1,140 MW;

- together with Power Assets, a 100% interest (on a 50/50 basis) in Stanley Power Inc. ("Stanley Power"), which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P.. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant in Saskatchewan, Canada with an installed capacity of 220 MW. TransAlta Cogeneration, L.P. owns interests in four natural gas-fired cogeneration plants in Alberta, Saskatchewan and Ontario, Canada and a coal-fired generation plant in Alberta;

- together with Power Assets, a 100% interest (on a 50/50 basis) in Wellington Electricity Distribution Network ("Wellington Electricity"), 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 4,602 kilometers;

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

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

- a 100% interest in Cambridge Water Company ("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 of over 453 square miles in South Cambridgeshire in the UK (operation was disposed of in August 2011);

- a 4.75% interest in Southern Water Group ("Southern Water"), a regulated business supplying water to more than one million households and waste water services to nearly two million households across Sussex, Kent, Hampshire and the Isle of Wight in the UK;

- an 8.53% 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;

- a 19.22% interest in Envestra Limited, one of the largest listed natural gas distribution company in Australia, which owns about 22,200 kilometers of natural gas distribution networks and 1,120 kilometers of transmission pipelines, serving over 1.1 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory; and

- a 49% interest in AquaTower Pty Ltd ("AquaTower") in Victoria, Australia, the exclusive potable water supplier for four regional towns.

CKI contributed 6% and 22% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 8% and 26% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Husky Energy

As at April 2, 2012, Hutchison held a 33.90% 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 and production of heavy oil, bitumen, light crude oil, natural gas and natural gas liquids from assets located in Western Canada, the Atlantic region and offshore Mainland China and Indonesia;

- the midstream segment, which provides strategic support for the upstream business and comprises pipeline transportation, gas storage, cogeneration and the marketing of a wide range of petroleum-based products. The midstream assets are located throughout Western Canada and connect with major North American transportation systems; and

- the downstream segment, which provides strategic support for the upstream business through the upgrading and refining of crude oil and the marketing of gasoline, diesel, jet fuel, asphalt, ethanol and related products in Canada and the U.S..

Husky Energy contributed 14% and 8% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 16% and 17% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Telecommunications

Hutchison is a leading worldwide operator of mobile telecommunications networks. The telecommunications division currently consists of an approximate 65.02% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") which is listed on the main board of SEHK, Hutchison Asia Telecommunications ("HAT") which consists of telecommunication operations in Indonesia, Vietnam and Sri Lanka (the Thailand operation was disposed of in January 2011) and "**3** Group", comprising unlisted 3G businesses in various countries in Europe and an approximate 87.87% interest in Hutchison Telecommunications (Australia) Limited ("HTAL") which is listed on the Australian Securities Exchange ("ASX") and has a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA").

- HTHKH, which was listed on SEHK in May 2009, currently holds Hutchison's interests in 2G and 3G mobile operations in Hong Kong and Macau, as well as its fixed-line business in Hong Kong. HTHKH contributed 3% and 3% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 4% and 3% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

- HAT, a subsidiary of Hutchison, holds interests in 2G and 3G mobile operations in Indonesia and Vietnam, and 2G GSM mobile operations in Sri Lanka. This division contributed 1% of Hutchison's turnover (including share of associates and JCEs), whereas its LBIT of HK$2,688 million represented (7)% of Hutchison's EBIT (including share of associates and JCEs) in 2010. This division contributed 1% of Hutchison's turnover (including share of associates and JCEs), whereas its LBIT of HK$1,181 million represented (2)% of Hutchison's EBIT (including share of associates and JCEs) in 2011.

- **3** Group comprises 3G businesses in Italy, the UK, Sweden, Denmark, Austria and Ireland in Europe, offering 3G services under the brand name "**3**", and in Australia. As of March 28, 2012, including the 3G customers of HTHKH, Hutchison had over 31.6 million 3G customers worldwide.

  — In Italy, H3G S.p.A., the subsidiary of **3** Italia S.p.A. (together with H3G S.p.A. and its wholly-owned subsidiary **3** Lettronica S.p.A., "**3** Italia") serviced a customer base of over 9.2 million as of March 28, 2012.

  — In the UK, Hutchison 3G UK Limited ("**3** UK") serviced a customer base of over 8.2 million as of March 28, 2012.

  — In Sweden, Hi3G Access AB ("Hi3G Access") serviced a customer base of over 1.4 million as of March 28, 2012.

  — In Denmark, Hi3G Denmark ApS ("Hi3G Denmark"), a wholly-owned subsidiary of Hi3G Access, serviced a customer base of over 807,000 as of March 28, 2012.

  — In Austria, Hutchison 3G Austria GmbH (together with its wholly-owned subsidiary Netco 3G GmbH, "**3** Austria") serviced a customer base of over 1.4 million as of March 28, 2012.

  — In Ireland, Hutchison 3G Ireland Limited ("**3** Ireland") serviced a customer base of over 843,000 as of March 28, 2012.

  — In Australia, HTAL has a 50% interest in VHA, which serviced an active customer base of over 6.9 million as of March 28, 2012.

3 Group contributed 20% and 8% of Hutchison's turnover and EBIT (both including share of associates and JCEs) respectively in 2010, and contributed 19% and 3% of Hutchison's turnover and EBIT (both including share of associates and JCEs) respectively in 2011.

Finance & Investments and others

Hutchison receives income from its finance & investments and others 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 all of its subsidiaries, except for listed subsidiaries and certain overseas entities conducting businesses in non-Hong Kong or non-US dollar currencies. 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-Hong Kong 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 borne by the operating businesses.

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

- Hutchison China operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong, the UK and France, and also has an investment in Hutchison China MediTech Ltd. ("Chi-Med"), a currently 70.8%-owned subsidiary listed on the Alternative Investment Market of the London Stock Exchange PLC ("AIM") in the UK. Chi-Med is focused on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products;

- Hutchison has a 71.4% interest in HHR, a listed company in Hong Kong that holds certain investment properties in the Mainland;

- Hutchison has a 49% interest in a water desalination project in Israel that was granted a 26.5 year concession by the Israeli Government in 2009 to build and operate a water desalination plant in Sorek, Israel; and

- Hutchison has a 24.5% interest in TOM Group, a leading Chinese-language media group in the Mainland listed on SEHK. It has diverse business interests in five key areas: Internet, e-commerce, publishing, outdoor media, and television and entertainment.

This division contributed 3% and 2% of Hutchison's turnover and EBIT (both including share of associates and JCEs) respectively in 2010, and 3% and 1% of Hutchison's turnover and EBIT (both including share of associates and JCEs) respectively in 2011.

Recent Developments

Cheung Kong Infrastructure

- In February and March 2012, CKI raised approximately HK$2,291 million by issuing new perpetual capital securities of principal amount of US$300 million and approximately HK$2,307 million by issuing new shares. Following these issues, Hutchison's interest in CKI reduced from 81.53% to 79.79% (which excludes the shares issued to and held by the fiduciary in connection with the issue of new perpetual capital securities in February 2012).

- In March 2012, CKI issued 15-year, fixed rate notes with principal amount of Yen15,000 million (approximately HK$1,408 million) and repaid fixed rate notes with principal amount of Yen30,000 million (approximately HK$2,817 million) maturing in 2032.

Husky Energy

- In April 2012, Husky Energy released its unaudited results for the first three months of 2012, with reported net earnings of C$591 million (C$0.60 per share, diluted) compared with C$626 million (C$0.70 per share, diluted) for the same period in 2011. Excluding the after-tax gain and related tax, net earnings increased 22% on a normalized basis compared to 2011. Cash flow from operating activities for the first three months of 2012 (before settlement of asset retirement obligations of C$33 million, income taxes paid of C$199 million, interest received of C$11 million, and change in non-cash working capital of C$532 million) was C$1,172 million (C$1.20 per share, diluted), compared with cash flow from operating activities for the same period in 2011 (before settlement of asset retirement obligations of C$23 million, income taxes paid of C$21 million and change in non-cash working capital of C$163 million) of C$1,164 million (C$1.30 per share, diluted). Taking into consideration the effect of the aforementioned settlement of asset retirement obligations, change in non-cash working capital, income taxes paid and interest received, cash flow from operating activities for the first three months of 2012 was C$1,483 million, compared with cash flow from operating activities for the same period in 2011 of C$1,283 million. Production for the first three months of 2012 averaged 319,900 barrels of oil equivalent per day, compared with 310,400 barrels of oil equivalent per day for the same period in 2011. Crude oil and natural gas liquids production was 221,900 barrels per day in the first three months of 2012 compared with 213,200 barrels per day for the same period in 2011. Natural gas production was 588.3 million cubic feet per day in the first three months of 2012 compared with 583.3 million cubic feet per day in the same period in 2011.

- In April 2012, Husky Energy announced that its board of directors had approved a quarterly dividend of C$0.30 per share on its common shares for the three-month period ended March 31, 2012. The dividend will be payable on July 3, 2012 to shareholders of record at the close of business on May 22, 2012.

Telecommunications

- **3** Austria, a wholly-owned subsidiary of Hutchison, entered into a binding agreement to acquire 100% interest in Orange Austria Telecommunication GmbH ("Orange Austria") and the simultaneous onward sale of the Yesss! brand and certain other assets to Telekom Austria Group. The net consideration payable by **3** Austria for Orange Austria after the sale of Yesss! and other assets will be €0.9 billion. The completion of the acquisition and onward sale will be subject to, among others, the approval by the relevant regulatory and antitrust authorities. The completion of both the acquisition and the onward sale will in each case be inter-conditional on and simultaneous with completion of the other.

- In January 2012, **3** Italy repaid a syndicated bank loan of approximately €1,000 million (approximately HK$10,070 million).

Finance & Investments and others

- In January 2012, Hutchison Whampoa International (11) Limited issued US$500 million (approximately HK$3,900 million) principal amount of 3.500% guaranteed notes due 2017 ("Notes Due 2017") and US$1,000 million (approximately HK$7,800 million) principal amount of 4.625% guaranteed notes due 2022 ("Notes Due 2022") to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

- In February 2012, Hutchison Whampoa International (11) Limited issued an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2017 and an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2022 to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

THE OFFERING

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

Issuer	Hutchison Whampoa International (12) Limited
Guarantor	Hutchison Whampoa Limited
Securities Offered	US$ subordinated guaranteed perpetual capital securities The securities are being offered (i) in the United States to "qualified institutional buyers" 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".
Guarantee	The Guarantor will fully and unconditionally guarantee on a subordinated basis (the "Guarantee") to each holder of a Security authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and Distributions payable by the Issuer on such Security (and any Additional Amounts (as hereinafter defined) payable in respect thereof) upon a Winding-Up of the Issuer.
Status of Securities and Guarantee	The Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer, ranking *pari passu*, without any preference or priority of payment among themselves and with any Parity Securities of the Issuer. In the event of the Winding-Up of the Issuer, the rights and claims of holders of the Securities shall rank ahead of those persons whose claims are in respect of Junior Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future creditors of the Issuer, other than the claims of holders of Parity Securities of the Issuer. The Guarantee will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor and will rank *pari passu* without any preference or priority of payment among holders of the Guarantee and with any Parity Securities of the Guarantor. In the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee shall rank ahead of those persons whose claims are in respect of Junior Securities of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future creditors of the Guarantor, other than the claims of holders of Parity Securities of the Guarantor.
Issue Price	100% of principal amount plus accrued Distributions, if any, from May 7, 2012.

Distributions	The Securities confer a right to receive Distributions at the applicable rate described below for the period from and including May 7, 2012 or from and including the most recent Distribution Payment Date to, but excluding, the next Distribution Payment Date or any redemption date. Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from and including May 7, 2012 to, but excluding, May 7, 2017 shall accrue on the outstanding principal amount of the Securities at a rate of 6.000% per annum, (ii) from and including May 7, 2017 to, but excluding, May 7, 2022 shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate (as defined in "Description of the Securities and the Guarantee") in respect of May 7, 2017 plus 5.176% per annum, and (iii) from and including May 7, 2022 to, but excluding, any redemption date shall accrue on the outstanding principal amount of the Securities at a rate per annum equal to the applicable Treasury Rate in respect of May 7, 2022 or each subsequent Reset Date (as defined in "Description of the Securities and the Guarantee"), as the case may be, plus 5.176% per annum plus 1.0000% per annum, such rate to be reset on May 7, 2022 and each subsequent Reset Date pursuant to the terms of the Securities as described in "Description of the Securities and the Guarantee." See "Description of the Securities and the Guarantee — Distributions". Distributions will be calculated on the basis of a 360-day year and twelve 30-day months.
Distribution Payment Dates	May 7 and November 7 of each year, commencing November 7, 2012.
Distribution Deferral	The Issuer may, at its sole discretion, elect to defer payment of Distributions, in whole or in part, which are otherwise scheduled to be paid on a Distribution Payment Date, to the next Distribution Payment Date by giving notice not more than ten nor less than five Business Days prior to a scheduled Distribution Payment Date. Any Distribution validly deferred pursuant to the terms of the Securities shall constitute "Arrears of Distribution". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the applicable rate described above and the amount of such accrued Distributions with respect to Arrears of Distribution shall be due and payable on the following Distribution Payment Date, unless further deferred in accordance with the terms of the Securities. See "Description of the Securities and the Guarantee — Distributions — Distribution Deferral".

Additional Amounts	In the event that certain Cayman Islands, Hong Kong or PRC taxes are payable in respect of payments pursuant to the Securities 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 Securities as will result after deduction or withholding of such taxes, in the payment of an amounts as would have been payable in respect of the Securities had no such deduction or withholding been required. See "Description of the Securities and the Guarantee — Additional Amounts", and "Description of the Securities and the Guarantee — Redemption — Redemption for tax reasons".
Redemption	The Securities are perpetual securities and have no fixed final redemption date. On May 7, 2017, and on each Distribution Payment Date thereafter, the Issuer may redeem the Securities, 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 any Distributions accrued to, but excluding, the date fixed for redemption. The Securities may also be redeemed in whole, but not in part, at the option of the Issuer or the Guarantor at a redemption price equal to the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption upon the occurrence of certain changes in the Cayman Islands, Hong Kong or PRC tax law requiring the payment of Additional Amounts. In addition, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at a redemption price equal to (i) the Early Redemption Amount (as defined in "Description of the Securities and the Guarantee") plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs prior to May 7, 2017, or (ii) the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs on or after May 7, 2017, upon the occurrence of (A) a change in the equity classification ascribed to the Securities and/or the Guarantee by a ratings agency which results in an equity credit of below 50% for the Securities and/or the Guarantee; or (B) any change or amendment to, or any change or amendment to any interpretations of, the Relevant Accounting Standard such that the Securities, in whole or in part, must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard. See "Description of the Securities and the Guarantee — Redemption".
Denomination, Form and Registration	The Securities will be issued in minimum denominations of US$50,000 and integral multiples of US$1,000 above that amount.

	Securities offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more permanent global securities in fully registered form without coupons deposited with The Bank of New York Mellon as custodian for and registered in the name of Cede & Co., as nominee of DTC. Securities offered to non-U.S. persons outside the United States in reliance on Regulation S will be represented by one or more permanent global securities in fully registered form without 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 Securities being purchased by or through such participant. Beneficial interests in the global securities representing the Securities 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.
Calculation Agent	The Calculation Agent will be a financial institution of international standing selected by the Issuer. The Calculation Agent shall initially be The Hongkong and Shanghai Banking Corporation Limited.
Governing Law	The Securities and the Fiscal Agency Agreement (including the Guarantee) will be governed by New York law.
Ratings	The Securities are expected to be rated "BBB" by Fitch, "Baa2" by Moody's and "BBB" by S&P, a division of the McGraw-Hill Companies, Inc. Security ratings are not recommendations to buy, sell or hold the Securities. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Transfer Restrictions	The Securities have not been registered under the Securities Act or any state securities law. Unless they are registered, the Securities 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 Securities.
Listing	Application will be made to the SGX-ST for permission to deal in and the listing of the Securities. The Issuer cannot guarantee that the application to the SGX-ST will be approved. The offering and settlement of the Securities are not conditional on obtaining such listing.

Use of Proceeds	The net proceeds of the sale of the Securities after deducting commissions will be approximately US$993,750,000 and will initially be invested by the Issuer in equity securities of one or more direct or indirect 100%-owned subsidiaries of 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 to Hutchison upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditures 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 expenditures. See "Use of Proceeds".	
Identification Numbers for the Securities	*Rule 144A Global Certificates*	*Regulation S Global Certificates*
	Common Code: 078005653 CUSIP: 44842B AA3 ISIN: US44842BAA35	Common Code: 078005327 CUSIP: G4673L AA2 ISIN: USG4673LAA29

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.

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 ("HKICPA").

Hutchison's consolidated financial statements for each of the years ended December 31, 2010 and 2011, previously published in the respective annual reports of Hutchison and included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, as stated in their audit reports dated March 29, 2011 and March 29, 2012, respectively.

In 2011, Hutchison has adopted all of the new and revised standards, amendments and interpretations issued by HKICPA that are relevant to Hutchison's operations and mandatory for annual accounting periods beginning January 1, 2011. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to Hutchison's result of operations or financial position. In addition, Hutchison has also adopted amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income taxes - Deferred Tax: Recovery of Underlying Assets", in 2011 ahead of its mandatory effective date of January 1, 2012. This resulted in a change to Hutchison's accounting policy on measurement of deferred tax liability in respect of its investment properties. In accordance with HKFRS, this change in accounting policy has been applied retrospectively and prior period financial information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy and a copy of Hutchison's restated consolidated income statement for the years ended December 31, 2009 and 2010, and Hutchison's restated consolidated statement of financial position as at December 31, 2009 and 2010 have been disclosed in note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Hutchison's consolidated financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from U.S. GAAP. This offering memorandum does not contain any discussion on the differences between HKFRS and U.S. GAAP relevant to Hutchison's consolidated financial statements. 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.

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

Consolidated Income Statement:

	Year Ended December 31,			
	As restated[(1)] 2009	As restated[(1)] 2010	2011	2011
	HK$ millions (other than per share amounts)	HK$ millions (other than per share amounts)	HK$ millions (other than per share amounts)	US$ millions (other than per share amounts)
Company and subsidiary companies:				
Revenue	208,808	209,180	233,700	29,962
Cost of inventories sold	(74,275)	(78,321)	(93,059)	(11,931)
Staff costs	(28,309)	(28,768)	(30,488)	(3,909)
Telecommunications customer acquisition costs	(16,544)	(16,013)	(22,497)	(2,884)
Depreciation and amortization	(16,258)	(14,932)	(14,080)	(1,805)
Other operating expenses	(60,769)	(50,456)	(53,055)	(6,802)
Change in fair value of investment properties	1,117	855	—	—
Profits on disposal of investments and others	12,472	—	43,147	5,532
Share of profits less losses after tax of:				
Associated companies	5,390	6,469	13,819	1,772
Jointly controlled entities	3,727	9,387	5,877	753
Profit before the following:	35,359	37,401	83,364	10,688
Interest expenses and other finance costs	(9,613)	(8,476)	(8,415)	(1,079)
Profit before tax	25,746	28,925	74,949	9,609
Current tax	(4,588)	(2,493)	(3,237)	(415)
Deferred tax credit (charge)	269	(706)	2,150	276
Profit after tax	21,427	25,726	73,862	9,470
Allocated as:				
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,573)	(5,547)	(17,843)	(2,288)
Profit attributable to ordinary shareholders of the Company	13,854	20,179	56,019	7,182
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$3.25	HK$4.73	HK$13.14	US$1.68
Dividends per share	HK$1.73	HK$1.92	HK$2.08	US26.7 cents

(1) The consolidated income statements for the years ended December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Ratios and Other Information:

	Year Ended December 31,		
	As restated[1] 2009	As restated[1] 2010	2011
Return on Average Ordinary Shareholders' Funds (%)[1]	5.0	6.9	17.4
Current Ratio	1.7	1.6	1.3
Earnings[1] to Fixed Charges	3.6	4.4	9.8
EBITDA before CAC[1] to Fixed Charges	8.3	9.9	19.3
EBITDA before CAC[1] to Net Interest[2]	11.5	13.6	29.2
FFO before CAC[1] before net interest and other finance costs to Net Interest[2]	6.9	8.9	10.2
Net Debt/EBITDA before CAC[1]	1.7	1.5	0.8
FFO before CAC[1]/Net Debt (%)	28.8	37.3	40.6
Net Debt/Net Total Capital[1] (%)	29.7	26.0	23.8
Net Assets[1] attributable to ordinary shareholders of Hutchison per share — Book Value (HK$)	67.3	70.0	80.7

(1) The ratios for the years ended December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

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

Earnings — Represents profit before tax and fixed charges.

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

EBITDA — EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortization, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in 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 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 flows or results as determined in accordance with generally accepted accounting principles in Hong Kong. Hutchison's calculation of EBITDA may differ from similarly titled computations of other companies.

CAC — Telecommunications customer acquisition costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers.

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

FFO — Funds from operations is defined as EBITDA after interest expenses, other finance costs paid, tax paid and certain other items as shown on the consolidated statement of cash flows included in Hutchison's consolidated financial statements included elsewhere in this offering memorandum. 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 non-controlling 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 statement of cash flows included in Hutchison’s consolidated financial statements included elsewhere in this offering memorandum.
Net Total Capital	—	Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

Consolidated Statement of Financial Position:

	As of December 31,			
	As restated[(1)] 2009	As restated[(1)] 2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
ASSETS				
Non-current assets				
Fixed assets	176,192	167,851	155,502	19,936
Investment properties	42,323	43,240	42,610	5,463
Leasehold land	29,191	27,561	10,004	1,282
Telecommunications licenses	70,750	68,333	75,503	9,680
Goodwill	28,858	27,332	26,338	3,377
Brand names and other rights	7,351	12,865	12,615	1,617
Associated companies	83,777	105,589	137,703	17,654
Interests in joint ventures	51,634	54,103	67,562	8,662
Deferred tax assets	14,650	14,097	16,992	2,178
Other non-current assets	5,286	9,131	10,184	1,306
Liquid funds and other listed investments	23,213	24,585	20,239	2,595
	533,225	554,687	575,252	73,750
Current assets				
Cash and cash equivalents	92,521	91,652	66,539	8,531
Trade and other receivables	48,146	57,229	60,345	7,737
Inventories	16,593	17,733	18,408	2,360
	157,260	166,614	145,292	18,628
Current liabilities				
Trade and other payables	73,029	80,889	78,093	10,012
Bank and other debts	17,589	23,122	28,835	3,697
Current tax liabilities	3,249	2,900	2,431	312
	93,867	106,911	109,359	14,021
Net current assets	63,393	59,703	35,933	4,607
Total assets less current liabilities	596,618	614,390	611,185	78,357
Non-current liabilities				
Bank and other debts	242,851	228,134	189,719	24,323
Interest bearing loans from non-controlling shareholders	13,424	13,493	6,502	834
Deferred tax liabilities	9,063	9,857	8,893	1,140
Pension obligations	2,436	1,702	2,992	383
Other non-current liabilities	4,520	3,945	4,296	551
	272,294	257,131	212,402	27,231
	324,324	357,259	398,783	51,126
Net assets				
CAPITAL AND RESERVES				
Share capital	1,066	1,066	1,066	137
Perpetual capital securities	—	15,600	15,600	2,000
Reserves	285,829	297,367	342,946	43,967
Total ordinary shareholders' funds and perpetual capital securities	286,895	314,033	359,612	46,104
Non-controlling interests	37,429	43,226	39,171	5,022
Total equity	324,324	357,259	398,783	51,126

(1) The consolidated statements of financial position as at December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Consolidated Statement of Cash Flows:

	Year Ended December 31,			
	2009	2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
Operating activities				
Cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications customer acquisition costs and changes in working capital	53,061	59,275	62,578	8,023
Interest expenses and other finance costs paid	(8,910)	(7,763)	(7,738)	(992)
Tax paid	(2,866)	(2,617)	(3,231)	(414)
Funds from operations before telecommunications customer acquisition costs	41,285	48,895	51,609	6,617
Telecommunications customer acquisition costs	(16,544)	(16,013)	(22,497)	(2,884)
Funds from operations	24,741	32,882	29,112	3,733
Changes in working capital	(4,514)	(3,015)	9,948	1,275
Net cash from operating activities	20,227	29,867	39,060	5,008
Investing activities				
Purchase of fixed assets and investment properties	(19,052)	(21,683)	(25,039)	(3,210)
Additions to leasehold land	(30)	(54)	(110)	(14)
Additions to telecommunications licenses	—	(146)	(5,693)	(730)
Additions to brand names and other rights	(494)	(461)	(82)	(10)
Purchase of subsidiary companies	(126)	—	1	—
Additions to other unlisted investments and long term receivables	(257)	(4,163)	(129)	(17)
Repayments from associated companies and jointly controlled entities	10,423	1,203	2,546	326
Purchase of and net advances (including deposits from) to associated companies and jointly controlled entities	1,449	(16,056)	(25,768)	(3,304)
Proceeds on disposal of fixed assets, leasehold land and investment properties	1,345	9,997	1,554	200
Proceeds on disposal / de-recognition of subsidiary companies	15,892	(69)	35,609	4,565
Proceeds on disposal of associated companies	176	1	250	32
Proceeds on disposal of jointly controlled entities	48	10	—	—
Proceeds on disposal of other unlisted investments	714	589	566	73
Proceeds on disposal of infrastructure project investments	18	—	—	—
Cash flows from (used in) investing activities before addition to / disposal of liquid funds and other listed investments	10,106	(30,832)	(16,295)	(2,089)
Disposal of liquid funds and other listed investments	13,468	523	4,498	576
Additions to liquid funds and other listed investments	(4,835)	(1,227)	(306)	(39)
Cash flows from (used in) investing activities	18,739	(31,536)	(12,103)	(1,552)
Net cash inflow (outflow) before financing activities	38,966	(1,669)	26,957	3,456

	Year Ended December 31,			
	2009	2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
Financing activities				
New borrowings	111,452	41,232	18,957	2,430
Repayment of borrowings	(103,182)	(49,434)	(42,014)	(5,386)
Issue of shares by subsidiary companies to non-controlling shareholders and loans from (repayment to) non-controlling shareholders	(487)	8,105	1,260	161
Payments to acquire additional interest in subsidiary companies	(610)	(4,727)	(4,816)	(617)
Proceeds on issue of perpetual capital securities, net of transaction costs	—	15,464	—	—
Dividends paid to non-controlling shareholders	(3,529)	(2,465)	(16,165)	(2,072)
Distributions paid on perpetual capital securities	—	—	(936)	(120)
Dividends paid to ordinary shareholders	(7,375)	(7,375)	(8,356)	(1,071)
Cash flows from (used in) financing activities	(3,731)	800	(52,070)	(6,675)
Increase (decrease) in cash and cash equivalents	35,235	(869)	(25,113)	(3,219)
Cash and cash equivalents at January 1	57,286	92,521	91,652	11,750
Cash and cash equivalents at December 31	92,521	91,652	66,539	8,531
Analysis of cash, liquid funds and other listed investments				
Cash and cash equivalents, as above	92,521	91,652	66,539	8,531
Liquid funds and other listed investments	23,213	24,585	20,239	2,595
Total cash, liquid funds and other listed investments	115,734	116,237	86,778	11,126
Total principal amount of bank and other debts	259,089	247,362	213,854	27,417
Interest bearing loans from non-controlling shareholders	13,424	13,493	6,502	834
Net debt	156,779	144,618	133,578	17,125
Interest bearing loans from non-controlling shareholders	(13,424)	(13,493)	(6,502)	(834)
Net debt (excluding interest bearing loans from non-controlling shareholders)	143,355	131,125	127,076	16,291

RISK FACTORS

Investors should consider, among other things, the factors set forth below, as well as other considerations with respect to investment in Cayman Islands/Hong Kong corporations not normally associated with investments in the securities of issuers in European countries, the U.S. 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 U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices, the U.S. and European sovereign debt concerns and the general weakness of the global economy have increased the uncertainty of global economic prospects in general. In the third quarter of 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 U.S. and global credit and financial markets. 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. More recently, due to high budget deficits and rising direct and contingent sovereign debt in certain EU countries, there has been increasing concern about the ability of these countries to continue to service their sovereign debt obligations. These conditions impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. Uncertainty over the outcome of the EU governments' financial support programs and worries about sovereign finances persist. On December 5, 2011, S&P placed its long-term sovereign ratings on 15 members of the eurozone, including Germany and France, on CreditWatch with negative implicatons. On January 13, 2012, S&P downgraded the long-term ratings on 16 members of the eurozone, including France and Austria. In addition, on July 13, 2011, Moody's placed the U.S. Government under review for a possible credit ratings downgrade, and on August 2, 2011, Moody's confirmed the U.S. Government's existing sovereign rating, but stated that the rating outlook is negative. On August 5, 2011, S&P downgraded its sovereign credit rating of the U.S. Government from AAA to AA+. On November 28, 2011, Fitch affirmed its top AAA level rating for the U.S. Government, but stated that it is lowering the rating outlook to negative. There continues to be the perceived risk of a further sovereign credit ratings downgrade of the U.S. Government.

The economic crisis has adversely affected the global economy and has had a negative impact on Hutchison's results of operations in 2009. For example, as a result of the significant decline in crude oil and natural gas prices in late 2008, Husky Energy's financial performance in the fourth quarter of 2008 and the first nine months of 2009 was significantly lower than that for the comparable quarters in the previous year. In respect of the ports and related services division, there was a significant decrease in combined container throughput from September 2008 to the beginning of 2010. In addition, property prices and rental rates in Hong Kong and the Mainland had also declined during the second half of 2008 and the first few months of 2009. While conditions appear to have stabilized and in certain circumstances improved in the second half of 2009, 2010 and 2011, if these adverse issues continue, they will have a material adverse impact on Hutchison's financial condition and results of operations going forward.

Furthermore, the global financial crisis had affected not only the banking and financial sectors, but also the commercial sectors which rely on the availability of banking facilities and bank borrowings. 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 another economic downturn occurs or if the weak economic sentiment continues, Hutchison's business, financial condition, results of operations and prospects will experience further deterioration.

Hutchison's overall success as a global business depends, in part, upon its ability to succeed in different economic, social 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 conducts business.

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, property and hotels, retail, infrastructure, energy and telecommunications industries. 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 interest rates, the currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not materially and adversely affect Hutchison's financial condition and results of operations.

Ports and Related Services

The container throughput handled by Hutchison's ports and related services division is primarily dependent on global trading volume. The 2008 global economic crisis had 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. Throughput decline and pricing pressure continued in the first half of 2009 and stabilized thereafter. In addition to a general decrease in global export and import activity, the global credit crunch had also adversely affected global shipping, as liquidity problems in the international banking sector reduced the availability of credit, making the financing of shipments more difficult. If economic conditions deteriorate again, 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 were affected by the economic slowdown. According to the China Customs Bureau, the Mainland experienced double-digit decline in year-on-year imports from November 2008 until August 2009. Such decline started to narrow in September 2009 and the imports to the Mainland restored to a year-on-year increase from November 2009 onwards. The Mainland's exports experienced a similar trend where year-on-year decline in exports lasted from November 2008 to November 2009. The decline in shipping activity in late 2008 to 2009 have negatively affected throughput levels, which in turn adversely affected the financial results of Hutchison's ports and related services division. Although there have been signs of recovery in the Mainland's imports and exports in 2010 and 2011, there can be no assurance that the trend of recovery will continue, and any similar declines in imports and exports in the future could have a material adverse effect on the business operations and financial results of Hutchison's ports and related services division.

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.

There can be no assurance that any of the above factors will not materially and 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. Property prices in Hong Kong declined in late 2008 and early 2009, although subsequently the property market witnessed a strong rebound in both transactions and prices. In 2010, property prices were further driven up by demand from Mainland purchasers and speculators. As a result, the Hong Kong Government introduced the Special Stamp Duty in November 2010 and tightened mortgage lending rules to cool down the real estate market. The Hong Kong Government also outlined in its 2011/2012 budget certain measures to stabilize the residential market by ensuring adequate supply of land in the medium and long term. There can be no assurance that property markets will not fall once again should there be a weakening in the economies of the Hong Kong, the Mainland or 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 completed in 2011 together with existing vacancy in Central, Hong Kong, 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 few months of 2009, although subsequently rents have stabilized. 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 fluctuations 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 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 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 Circular 2006 no. 171 in relation to the "Decision on Regulating Market Entry and Administration of Foreign Investment in Real Estate Market", which sets out a number of limits for foreign investments in real estate in the Mainland. Under this 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 restrictions on the currency and amount of financing for property development by foreign investors. Under the regulations, a restricted amount of Renminbi denominated loan is allowed for financing real estate development projects, and thus a higher level of equity funding is required, and all real estate development projects 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 regulation, effective November 1, 2007, 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. 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 had been the practice in many cities in the Mainland. In March 2010, the PRC Government issued Circular 2010 no. 34, "Circular on Several Issues in relation to Supply and Supervision of Land for Property Development", which sets out various due dates for the payment of deposits and land grant premiums in a land bid in the Mainland. This results in a shorter timeframe for payment of land grant premiums than was generally required prior to Circular 2010 no. 34. On September 27, 2010, the PRC Government issued Circular 2010 no. 151, "Circular on Further Strengthening the Administration and Control of Real Estate Land and Development" which prohibits a developer from paying land bidding deposits by using bank loans, shareholder loans, unlawful loans or raised funds. On September 29, 2010, the PRC Government issued Circular 2010 no. 275, "Circular on Improving Diversified Bank Lending Policies In Relation to Residential Properties" which prohibits any bank from lending loans to a family for the purpose of buying the family's third apartment/house. On November 15, 2010, the PRC Government issued Circular 2010 no. 186, "Circular on Further Regulating Purchasing of Real Properties by Foreign Entities or Individuals" under which a foreign individual is allowed to buy only one residential property for his/her own use in the Mainland and a foreign entity is not allowed to buy any residential properties in the Mainland. On January 26, 2011, the PRC Government issued Circular 2011 no. 1, "Circular on Further Improving the Administration and Regulation of the Real Estate Market" which requires certain big cities to implement policies that prohibit a local family from buying its third apartment/house. On December 24, 2011, the MOC and PRC National Development and Reform Committee jointly issued an updated Catalogue and Guideline on Foreign Invested Industries ("2011 Catalogue") to replace the previous one which was issued in 2007 ("2007 Catalogue"). Under the 2007 Catalogue, foreign investment was allowed in the development of villas in the Mainland although it was regarded as a restricted industry for foreign investment, while under the 2011 Catalogue, foreign investment is completely prohibited in the development of villas in the Mainland. Due to these various policies and others introduced by the PRC Government since 2006, the timing for approval and filing has grown longer and Hutchison's sales of residential properties in the Mainland have been adversely affected. Consequently, Hutchison is required to meet additional and/or more immediate funding requirements for its property development investments. In addition, regional governments may also issue policies which may impose further restrictions on property development and foreign investments in real estate in their respective regions. There can be no assurance that any changes to or new interpretations of policies in the future will not have a material adverse effect on the real estate market in the Mainland and hence Hutchison's financial condition and results of operations.

Property prices in the Mainland fell sharply in the fourth quarter of 2008, but stabilized to a certain extent during the first half of 2009 and increased significantly in the second half of 2009 and 2010. Since April 2010, the PRC Government introduced a series of tightening measures to curb property prices, including increased scrutiny of developers' financing, suspension of loans for third-home purchases, higher down-payment requirements and interest rates for second-home purchases, increase in land supply for residential property and more restrictions on pre-sales by developers. In January 2011, the PRC Government introduced further tightening measures to regulate the property market. These measures include the abovementioned requirement that certain big cities implement policies that prohibit a local family from buying its third apartment/house, higher down payment requirements for second home purchases, annual price control targets for newly built residential properties, measures to increase the supply of affordable housing and various other measures. In addition, the PRC Government announced the implementation of a pilot scheme for property tax in Shanghai and Chongqing, and introduced new monetary policies to tighten liquidity in the market by raising bank interest rates and bank reserve ratios. These measures aim to stabilize the real estate market and may lead to a drop in property prices and demand in the Mainland. There can be no assurance that property prices will not fall again in light of these tightening measures and significantly reduce turnover and profits from the sales of Hutchison's development properties.

In addition, an increasing number of developers undertaking property investment and development in the Mainland may result in lower returns achieved on Hutchison's property businesses.

Retail

Hutchison's retail division has regularly experienced fluctuations in consumer sentiments and price competition. During the recent global economic crisis, performance of the retail industry generally remained stagnant or declined in the markets in which the retail division operates, but experienced gradual recovery from the second half of 2009 to 2011. In Europe and the UK, slow economic recovery means reduced consumer traffic and spending which may adversely affect the retail division's operations. In addition, significant competition and pricing pressure from retail competitors in Asia and Europe are expected to continue, which may materially and adversely affect the financial performance of Hutchison's retail operations.

Retail Product Liability

Hutchison's retail operations may be subject to product liability claims if people are harmed by the products sold by its retail operations. Customers count on Hutchison's retail operations to provide them with safe products. Concerns regarding the safety of food and non-food products that are sourced from a wide variety of suppliers could cause shoppers to avoid purchasing certain products from Hutchison's retail operations, while the basis for these concerns may be outside of its control. Claims, recalls or actions could be based on allegations that, among other things, the products sold by the retail operations are misbranded, contain contaminants or impermissible ingredients, provide inadequate instructions regarding their use or misuse, do not include adequate warnings concerning flammability or interactions with other substances, or in the case of any handset and other electrical devices that the retail operations sell, are not fit for purpose or pose a safety hazard. While Hutchison has maintained product liability insurance coverage in amounts and with deductibles that Hutchison believes is prudent, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against Hutchison. Any material shortfall in coverage may have an adverse impact on the results of Hutchison's retail operations. In addition, any lost confidence on the part of Hutchison's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any food and non-food items that Hutchison sells, regardless of the cause, could materially and adversely affect the business and results of Hutchison's retail operations.

Infrastructure

CKI, in which Hutchison has an 81.53% interest as at December 31, 2011, 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, the UK, Australia, New Zealand and Canada. 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 materially and 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 and profit. The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and less desirable returns.

CKI has acquired and may continue to acquire businesses as opportunities arise. There could be difficulties managing or integrating the acquisitions, and the anticipated benefits of the acquisitions may or may not materialize. These difficulties could disrupt business, distract management and employees and increase expenses, any of which could materially and adversely affect Hutchison's business, financial condition and results of operations.

The operations of The Hongkong Electric Company Limited ("Hongkong Electric"), a wholly-owned subsidiary of Power Assets, in which CKI holds a 38.87% interest, are subject to a scheme of control agreement (the "SOC") with the Hong Kong Government. In January 2008, Hongkong Electric signed a new 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 SOC are lower than under the previous SOC and, as a result, Hongkong Electric had a commensurate decrease in EBIT in 2009. There can be no assurance that the SOC will be extended or renewed on terms that will not materially and adversely affect Hutchison's financial condition and results of operations in the future.

In addition, certain regulated operations of CKI's investments are subject to price control by regulatory authorities of the local government. The relevant regulatory authorities will reset the price control terms for certain projects in accordance with predetermined schedules. There can be no assurance that such resets will not have a material adverse effect on Hutchison's financial conditions and results of operations.

Energy

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. Husky Energy anticipates that changes in environmental legislation may require reductions in emissions from its operations and result in increased capital expenditures. In particular, pending U.S. greenhouse gas emissions legislation or regulation may apply to Husky Energy's U.S. facilities, specifically requiring Husky Energy's U.S. refining operations to significantly reduce emissions and/or purchase allowances, which may increase capital and operating expenditures. There can be no assurance that changes to such regulations will not materially and 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 crude 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.

Husky Energy's financial condition and results of operations are dependent on the prices received for its crude oil and natural gas production. Lower prices for crude oil and natural gas could adversely affect the value and quantity of Husky Energy's oil and gas reserves. Husky Energy has significant quantities of heavier grades of crude oil reserves that trade at a discount to light crude oil. Heavier grades of crude oil are typically more expensive to produce, process, transport and refine into high value refined products. Refining capacity for heavy crude oil is limited. As a result, wider price differentials could have adverse effects on financial performance and condition, could reduce the value and quantities of Husky Energy's heavier crude oil reserves and could delay or cancel projects that involve the development of heavier crude oil resources. Prices for crude oil are based on world supply and demand. Supply and demand may be affected by a number of factors including, but not limited to, actions taken by Organisation of the Petroleum Exporting Countries ("OPEC"), non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, prevailing weather patterns and the availability of alternate sources of energy. Husky Energy's natural gas production is located entirely in Western Canada and is, therefore, subject to North American market forces. North American natural gas supply and demand is affected by a number of factors including, but not limited to, the amount of natural gas available to specific market areas either from the well head or from storage facilities, prevailing weather patterns, the price of crude oil, the U.S. and Canadian economies, the occurrence of natural disasters and pipeline restrictions. Volatility in crude oil and natural gas prices could materially and adversely affect Hutchison's financial condition and results of operations.

Husky Energy's financial condition and results of operations are also dependent on the price of refinery feedstock, the price of natural gas and electrical power, and the ability of Husky Energy to recover the increased cost of these inputs from the customer through demand and pricing for refined petroleum products. Husky Energy is also dependent on the demand for pipeline and processing capacity.

Husky Energy's results are affected by the exchange rate between the Canadian and U.S. dollar as the majority of Husky Energy's revenues are received in U.S. dollars or from the sale of oil and gas commodities that receive prices determined by reference to U.S. benchmark prices. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of oil and gas commodities.

In order to maintain Husky Energy's future production of crude oil, natural gas and natural gas liquids and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance related revisions and acquisitions. The production rate of oil and gas properties tends to decline as the reserves are depleted while the associated unit operating costs increase. In order to prevent this, Husky Energy must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of developable projects depends on, among other things, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completing long-lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties. The failure to manage any of these factors effectively could materially and adversely affect Husky Energy's, and therefore Hutchison's, business, financial condition and results of operations.

All of Husky Energy's oil and natural gas production is subject to royalties which are potentially impacted by changes in government fiscal policies. Husky Energy is exposed to risks associated with operating in developing countries including political and regulatory instability. Husky Energy's operations in certain jurisdictions may be adversely affected by political, economic or social instability or events. These events may include, but are not limited to, acts of war, terrorism, abduction, expropriation, onerous fiscal policy, renegotiation or nullification of agreements, imposition of onerous regulation, financial constraints and unreasonable taxation. Any of these events could adversely affect Husky Energy's interest in its foreign operations and significantly reduce Husky Energy's future profitability.

Husky Energy's offshore operations are subject to the risk of blowouts and other catastrophic events, resulting from actions of the company or its contractors or agents, or those of third parties, that could result in suspension of operations, damage to equipment and harm to personnel, and damage to the natural environment. The consequences of such catastrophic events occurring in deep-water operations, in particular, can be more costly and time-consuming to remedy, and the remedy may be made more difficult or uncertain by the extreme pressures and cold temperatures encountered in deep-water operations, shortages of equipment and specialist personnel required to work in these conditions, or the absence of appropriate and proven means to effectively remedy such consequences. The costs associated with such events could be material and Husky Energy may not maintain sufficient insurance to address such costs. Husky Energy currently has working interests in non-operated, inactive offshore deeps-water drilling operations in Canada located off the east coast of Newfoundland. Husky Energy's development program in the Mainland includes deep-water drilling. The Deepwater Horizon oil spill in the Gulf of Mexico in April 2010 has led to numerous public and governmental expressions of concern about the safety and potential environmental impact of offshore oil operations. Stricter regulation of offshore oil and gas operations has already been implemented in the Gulf of Mexico. Additional regulation, increased financial assurance requirements and increased caps on liability are likely to be applied to offshore oil and gas operations in the Gulf of Mexico. In the event that similar changes in environmental regulation occur with respect to Husky Energy's operations in the Atlantic region or in the South China Sea, such changes could increase the cost of complying with environmental regulation in connection with these operations and materially limit or constrain Husky Energy's operations.

Telecommunications

Hutchison faces significant competition in each of the markets in which it operates its telecommunications businesses. Competition among providers of mobile and fixed-line telecommunications services, including new entrants, is expected to continue and may adversely affect the prices chargeable for services and handsets (which are subsidised in some markets). In addition, number portability policies and procedures in markets in which Hutchison currently operates enable customers to switch their providers of mobile telecommunications services without changing their mobile phone numbers have led to increased movement of customers among providers of mobile telecommunications services. Such movements could increase marketing, distribution and administrative costs, slow growth in the number of customers and reduce revenues. Hutchison's marketing position also depends 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 Hutchison to compete effectively, including in terms of pricing of services, acquisition of customers and retention of existing customers, could decrease the revenue that Hutchison receives as a major provider of telecommunications services.

The telecommunications industry is 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. Hutchison is only permitted to provide telecommunications services and operate networks under licenses granted by regulatory authorities in each country. All of these licenses have historically been issued for fixed terms and subsequently renewed; however, further renewals may not be guaranteed, or the terms and conditions of these licenses may be changed upon renewal. Due to changes in legislation, Hutchison's 3G licenses in the UK and Italy effectively provide for perpetual renewal rights. However, all of these licenses may contain regulatory requirements and carrier obligations regarding the way Hutchison must conduct its business, as well as 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 with respect to 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 the given spectrum band) could result in Hutchison facing unforeseen competition and/or could materially and adversely affect Hutchison's financial condition and results of operations.

In addition, 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, and such price control regulation may impact costs and revenues and therefore could have a material adverse effect on Hutchison's financial condition and results of operations. Furthermore, any new regulatory initiatives or changes in legislation, regulation or government policy affecting Hutchison's telecommunications business, as well as decisions by regulatory authorities or courts, could have a material adverse effect on 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 ("HTIL")

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 ("Vodafone") incorporated in the Netherlands ("Vodafone Netherlands"). CGP held, through various subsidiaries, all of HTIL's indirect interests in the Indian mobile telecommunications operation, comprising Vodafone India Limited (then known as Hutchison Essar Limited) and its subsidiaries. As a result of the sale, the HTIL Group realized a pre-tax gain of approximately HK$69,343 million (US$8,890 million). HTIL may be subject to claims or have to make payments as a result of indemnity obligations assumed in connection with this sale.

The Indian tax authorities initiated an investigation into Vodafone Netherlands' obligations to withhold tax from the acquisition proceeds. Vodafone Netherlands disputed the jurisdiction of the Indian tax authorities in this matter by filing a Writ Petition with the Bombay High Court. On January 20, 2012, the Indian Supreme Court ("SCI") gave its ruling ("SCI Ruling") that the Indian tax authorities did not have the jurisdiction as the sale was not taxable in India.

On March 16, 2012, the Government of India released the Finance Bill 2012 which has proposed several amendments to the Income-tax Act, 1961 that will be retrospective to April 1, 1962. These amendments, if enacted, may affect the tax implications of the sale.

If the sale is taxable in India, this could lead to a dispute between Vodafone Netherlands and HTIL as to the party ultimately responsible for payment of any such tax. Hutchison has not provided for any Indian tax liabilities, payments or claims in respect of such tax in connection with the sale to Vodafone Netherlands. If HTIL eventually suffers any Indian tax on this sale, or makes any payments of a substantial amount on resolution or settlement of such dispute or claims between Vodafone Netherlands and HTIL as to the party with ultimate tax responsibility, there may be a material adverse effect on Hutchison's financial condition and results of operations.

3 Group

Hutchison has made substantial investments in acquiring 3G licenses and developing its 3G networks in Europe and Australia. While **3** Group achieved positive operating results since the second half of 2010, Hutchison will need to significantly increase **3** Group's customer levels and operating margins for **3** Group to remain profitable as well as grow profitability. In order to grow its customer base, Hutchison has made significant investments in customer acquisition costs ("CACs") 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 CACs 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 and retention costs and capital expenditure requirements. In particular, customer growth in 2011 was affected by the Italian operations remaining stagnant due to the effect of changes in the regulatory regime and the competitive environment in the Italian telecommunications industry and poor performance in the Australian operation due to network performance issues in late 2010 and early 2011. Should these operations be unsuccessful in their initiatives to remedy the effects of these adverse factors, **3** Group's financial results will be materially and adversely affected and there can be no assurance that **3** Group will remain profitable.

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 materially 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 income statement. See Note 3(b)(ii) to the consolidated financial statements of Hutchison for each of the years ended December 31, 2011 and 2010. Accordingly, there can be no assurance that **3** Group's operating results will not be substantially reduced in the near term.

Although Hutchison has historically recognized profits from disposals of investments, 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.

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.

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 CACs, 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 volatility in economic conditions, customers may be more cautious in their mobile usage which may significantly reduce revenues and profits.

Under HKFRS, 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. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each statement of financial position 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 carried forward tax losses, the asset balance will be reduced and charged to the income statement. 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, 2011, Hutchison had a total deferred tax asset balance of HK$16,992 million (US$2,178 million), of which HK$12,193 million (US$1,563 million) and HK$3,615 million (US$463 million) were attributable to the 3G operations in the UK, as well as Sweden and Denmark, respectively. 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. In the UK, Sweden and Denmark, taxation losses may be carried forward indefinitely. In addition, 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 businesses in the same period. 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 income statement, which could have a material adverse effect on Hutchison's financial condition and results of operations.

Cashflow, Liquidity and Credit Ratings

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 include, among others, 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 grading, 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 liquidity and cash flows.

On August 2, 2010, S&P placed Hutchison on CreditWatch with negative implications in reaction to the announcement of the proposed acquisition by CKI and Power Assets of the UK electricity distribution network from EDF Energy plc (See "— Infrastructure and Energy"). S&P noted that this acquisition would likely materially weaken the balance sheet and liquidity of both CKI and Power Assets and thus result in weak consolidated leverage ratios for Hutchison for the next two years. On August 9, 2010, Moody's put Hutchison on review for possible downgrade in relation to Hutchison's slower-than-expected deleveraging, noting that Hutchison's financial results and the acquisition plans for the UK electricity distribution network indicated uncertainty with respect to the timing for achieving its targeted leverage ratio. In addition, Moody's has noted that Hutchison's key credit metrics, including for example, annualized adjusted funds from operations/net debt, remain weak as compared to Moody's expectations for Hutchison's rating. In November 2010, S&P removed Hutchison from CreditWatch and Moody's confirmed Hutchison's rating with no downgrade. However, no assurance can be given that any of Hutchison's credit ratings will remain for any given period of time or that a credit rating will not be lowered by the relevant rating agency. A negative change in one or more of Hutchison's credit ratings could, notwithstanding that it is not a rating of the Securities or the Guarantee, adversely impact the market price and the liquidity of the Securities.

Currency Fluctuations

Hutchison reports its results in Hong Kong dollars but its subsidiaries, associates and JCEs around the world receive revenue and incur expenses in 46 different local currencies. Hutchison's subsidiaries, associates and JCEs may also incur debt in these local currencies. Consequently, Hutchison is exposed to the potentially adverse impact of currency fluctuations on translation of the accounts and debts of these subsidiaries, associates and JCEs and also on the repatriation of earnings, equity investments and loans. Although Hutchison actively manages its currency exposures, any depreciation or fluctuation of the currencies in which Hutchison conducts operations relative to the Hong Kong dollar could have a material adverse effect on Hutchison's financial condition and results of 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 associates and JCEs and the markets in which they operate. Furthermore, other investors in Hutchison's non-wholly-owned subsidiaries, associates and JCEs may undergo a change of control or financial difficulties, which may negatively impact 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 many different countries, which could have a material adverse effect on its financial condition and 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 Organsation ("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 "Business of Hutchison — Telecommunications — **3** Group — Regulation — European 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 materially and adversely affect Hutchison's financial condition and results of operations in the future.

Hutchison is only permitted to provide telecommunications services and operate networks under licenses granted by regulatory authorities in individual countries. All of these licenses have historically been issued for fixed terms and subsequently renewed; however, further renewals may not be guaranteed, or the terms and conditions of these licenses may be changed upon renewal. Due to changes in legislation, Hutchison's 3G licences in the UK and Italy effectively provide for perpetual renewal rights. However, all of these licenses may contain regulatory requirements and carrier obligations regarding the way Hutchison must conduct its businesses, 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 the given spectrum band), could result in Hutchison facing unforeseen competition, and could materially and adversely affect Hutchison's financial condition and results of operations.

Hutchison's overall success as a global business depends, in part, upon its ability to succeed in different 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 materially and 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 materially and 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 have a material adverse effect on Hutchison's business, financial condition, results of operations and prospects.

Controlling Shareholder

Approximately 49.97% of the issued share capital of Hutchison was held by certain subsidiaries of Cheung Kong Holdings as of December 31, 2011. Cheung Kong Holdings is also listed on SEHK, and was the tenth largest company listed on the Main Board of such exchange in terms of market capitalization as of March 31, 2012 (with a market capitalization of approximately HK$232,311 million (US$29,784 million) as of March 31, 2012). In addition, as of December 31, 2011, (i) approximately 2.19% 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 40.43% of the issued capital of Cheung Kong Holdings as of December 31, 2011. In addition, as of December 31, 2011, approximately 2.81% of the issued share capital of Cheung Kong Holdings was held by companies in which Mr. Li Ka-shing is entitled to exercise or control the exercise of one third or more of the voting power at their 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 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 announcements, the inclusion of certain disclosures 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 Securities pursuant to the Guarantee in respect of the Securities depends largely upon the receipt of dividends, distributions, interest or advances from its wholly or partially owned subsidiaries and associates. The ability of the subsidiaries and associates of the Guarantor to pay dividends may be subject to applicable laws. Payments on the Securities are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer) and associates and these subsidiaries had an aggregate of HK$69,543 million (US$8,916 million) of debt outstanding as of December 31, 2011. 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 Securities seeking to enforce the Guarantee. The terms and conditions of the Securities do not contain any restrictions on the ability of the Issuer, Hutchison or its subsidiaries to incur additional indebtedness.

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no fixed final maturity date. Holders have no right to require the Issuer to redeem the Securities at any time and they can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, holders of Securities should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

The Securities and the Guarantee are subordinated obligations

The obligations of the Issuer under the Securities, and of the Guarantor under the Guarantee, will constitute unsecured and subordinated obligations of the Issuer and the Guarantor, respectively. In the event of the Winding-Up (as described in the "Description of the Securities and the Guarantee") of the

Issuer, the rights of the holders to receive payments in respect of the Securities will rank senior to the holders of all Junior Securities (as described in the "Description of the Securities and the Guarantee") of the Issuer and *pari passu* with the holders of all Parity Securities of the Issuer, but junior to the claims of all other creditors. Upon the Winding-Up of the Issuer, holders of the Securities can enforce the obligations of the Guarantor under the Guarantee, but in the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee will be subordinated to the claims of all present and future creditors of the Guarantor (other than the claims of Parity Securities of the Guarantor).

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the securities.

The Issuer and the Guarantor may raise other capital which affects the price of the Securities

The Issuer and/or the Guarantor may raise additional capital through the issue of other securities or other means. Under the terms of the Securities, there is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or pari passu with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the Securities on a Winding-Up of the Issuer and/or the Guarantor, and may also have an adverse impact on the trading price of the Securities and/or the ability of holders to sell them.

Holders may not receive Distribution payments if the Issuer elects to defer Distribution payments

The Issuer may, at its sole discretion, elect to defer any scheduled Distributions on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred. Although Distributions are cumulative, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to holders of the Securities.

The Securities may be redeemed at the Issuer's option at any time on or after five years after the date of issue of the Securities or the occurrence of certain other events

The Securities are redeemable at the option of the Issuer on May 7, 2017 or on any Distribution Payment Date thereafter at 100% of their principal amount together with all other outstanding amounts due under the Securities accrued to the date fixed for redemption.

In addition, the Issuer also has the right to redeem the Securities if (a) there are any amendments or changes to relevant accounting standards such that the Securities, in whole or in part, must not or must no longer be recorded as "equity" of the Guarantor, (b) there is an amendment, clarification or change in the equity credit of S&P, Moody's, Fitch or any other rating agency of equivalent international standing requested from time to time by the Guarantor to grant an equity classification to the Securities and/or the Guarantee and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in an equity credit of below 50% for the Securities and/or the Guarantee (for the Issuer, the Guarantor or any of the Guarantor's substantial shareholders), or (c) there are any changes to the laws or regulations of the Cayman Islands, Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax such that the Issuer or the Guarantor has or will become obliged to pay Additional Amounts (as defined in "Description of the Securities and the Guarantee") in respect of tax on the Securities or the Guarantee.

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual holders. This may be disadvantageous to the holders in light of market conditions or the individual circumstances of the holder of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities and the Guarantee

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution. The Securities do not contain any provisions to remedy any default on payment or other obligations of the Issuer. Holders can look to the Guarantor only upon the Winding-Up of the Issuer, and the right to institute Winding-Up proceedings is limited to circumstances provided by applicable law.

The Issuer's right to redeem the Securities is subject to compliance by the Issuer with the replacement capital covenant

At or around the time of issuance of the Securities, each of the Issuer and the Guarantor has undertaken for the benefit of holders, from time to time, of designated series of debt securities or guarantee, as the case may be, ranking senior to the Securities or the Guarantee, as the case may be, that it (subject to certain exemptions) will not redeem or repurchase, and to procure that its subsidiaries will not purchase the Securities from the time of issuance of the Securities to, and including, May 7, 2042, unless the Issuer, the Guarantor or one or more of its group entities, which have the purpose to raise financing for the Guarantor and other group entities, has sold or issued shares or certain equity-like instruments during a period of 360 days prior to the date of that redemption or purchase. This undertaking may prevent the Issuer from redeeming or repurchasing the Securities even in circumstances where such redemption or repurchase would be in the interest of the Issuer and the holders because it was not able to obtain proceeds from the issuance or sale of such financing instruments as designated in the replacement capital covenant.

The Securities may suffer a decline in distribution rate

A holder of securities with a fixed distribution rate which will be reset during the term of the securities (as will be the case for the Securities on and after May 7, 2017 if not previously redeemed by reference to the then yield of U.S. Treasury securities having a maturity of five years) is exposed to the risk of fluctuating distribution rate levels and uncertain distribution income. Fluctuating distribution rate levels make it impossible to determine the yield of such floating rate securities in advance.

No Prior Market for the Securities

The Securities are new issues of securities for which there is currently no trading market. If the Securities 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 Securities, 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 Securities does not develop or continue, the market price and liquidity of the Securities may be adversely affected. The Issuer may elect to apply for a de-listing of the Securities 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.

Accounting

The 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 condition and results of operations. For example, Hutchison has recently adopted new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to Hutchison's operations and mandatory for annual periods beginning January 1, 2011. See "Selected Consolidated Financial Information of Hutchison".

In the course of auditing Hutchison's consolidated financial statements, Hutchison's independent auditor has in the past identified issues relating to, and made recommendations to improve, the internal controls of various Hutchison operating units. While Hutchison has taken steps to address these issues based on the recommendations of its independent auditor, there is no assurance that these steps will be effective or that these or other internal control issues would not be identified by Hutchison's independent auditor in the future.

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.

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, and also the recent spread of H1N1 virus or "Swine Flu" among humans since May 2009.

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 Hutchison's financial condition and results of operations.

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 severe earthquakes in Sichuan and Qinghai that caused significant property damage and loss of life in 2008 and 2010, respectively. Other recent major natural disasters include severe floods in Pakistan and China in 2010.

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 materially and 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 Securities create and issue further Securities (see "Description of the Securities 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 result in the market price of the Securities to decrease significantly.

USE OF PROCEEDS

The net proceeds of the sale of the Securities after deducting commissions will be approximately US$993,750,000 and will initially be invested by the Issuer in equity securities of one or more direct or indirect 100%-owned subsidiaries of 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 to Hutchison upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditures 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 expenditures.

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 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 Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong 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 April 27, 2012, the Noon Buying Rate was HK$7.7592 = US$1.00. This offering memorandum also includes certain Pound Sterling ("£"), Euro ("€"), Australian dollar ("A$"), Canadian dollar ("C$"), Renminbi ("RMB") 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**
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	7.7514	7.7495	7.7618	7.7536
2010	7.7692	7.7501	7.8040	7.7810
2011	7.7793	7.7634	7.8087	7.7663
2012 (through April 27)	7.7588	7.7678	7.7532	7.7592

(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 since 2009.

THE ISSUER

Hutchison Whampoa International (12) Limited, a wholly-owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on April 16, 2012. 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-267983.

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 Securities issued by it are outstanding. 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
Richard Wai Chi CHAN	Director
Christian Nicolas Roger SALBAING	Director
Robin Cheng Khoong SNG	Director

The business address of the abovementioned directors for the purposes of their directorships of the Issuer is Hutchison Whampoa International (12) 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 are 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 has 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 Securities are listed on the SGX-ST and the rules of the SGX-ST so require (or for as long as the Securities 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 December 31, 2011 as adjusted to give effect to the issuance of the Securities. 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, 2011 included elsewhere in this offering memorandum, and should be read in conjunction with such consolidated financial statements.

	As of December 31, 2011		
	Audited Actual	As adjusted	As adjusted(1)
	(in millions)	(in millions)	(in millions)
Short-term bank and other debts(2) (including current portion of long-term debt)	HK$28,867	HK$28,867	US$3,701
Long-term bank and other debts(2) (net of current portion)	HK$184,987	HK$184,987	US$23,716
Interest bearing loans from non-controlling shareholders	HK$6,502	HK$6,502	US$834
Total ordinary shareholders' funds and perpetual capital securities(3) before issue of the Securities	HK$359,612	HK$359,612	US$46,104
Securities offered hereby(1)	—	HK$7,800(1)	US$1,000
Total ordinary shareholders' funds and perpetual capital securities(3)	HK$359,612	HK$367,412	US$47,104
Non-controlling interests	HK$39,171	HK$39,171	US$5,022
Total capitalization	HK$590,272	HK$598,072	US$76,676
Total short-term bank and other debts and capitalization	HK$619,139	HK$626,939	US$80,377

(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 facilities fees and premiums or discounts related to debts and unrealized gain on bank and other debts pursuant to interest rate swap contracts totaling approximately HK$4,700 million.

(3) Total ordinary shareholders' funds and perpetual capital securities comprise ordinary shares, share premium, perpetual capital securities, capital redemption reserve, exchange reserve, revaluation reserve, hedging reserve, other capital reserve and retained earnings as of December 31, 2011. The total ordinary shareholders' funds and perpetual capital securities stated above includes the effect of translation of overseas subsidiary and associates and JCEs denominated in foreign currencies, which increased total shareholders' funds and perpetual capital securities cumulatively by approximately HK$6,968 million as at December 31, 2011. The number stated above is before deducting the 2011 final dividend of HK$6,523 million which will be payable on June 11, 2012.

As of December 31, 2011, 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. As of December 31, 2011, the issued and fully paid share capital comprised 4,263,370,780 ordinary shares.

Except for the adjustments included in the table above and the developments described below, there has been no material change in the total capitalization of Hutchison since December 31, 2011.

- In January 2012, Hutchison Whampoa International (11) Limited issued US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2017 and US$1,000 million (approximately HK$7,800 million) principal amount of Notes Due 2022 to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

- In January 2012, **3** Italy early-repaid a syndicated bank loan of approximately €1,000 million (approximately HK$10,070 million).

- In February 2012, Hutchison Whampoa International (11) Limited issued an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2017 and an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2022 to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.
- In February and March 2012, CKI raised approximately HK$2,291 million by issuing new perpetual capital securities of principal amount of US$300 million and approximately HK$2,307 million by issuing new shares respectively.
- In March 2012, CKI issued 15-year, fixed rate notes with principal amount of Yen15,000 million (approximately HK$1,408 million) and repaid fixed rate notes with principal amount of Yen30,000 million (approximately HK$2,817 million) maturing in 2032.

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.

Hutchison's consolidated financial statements are prepared and presented in accordance with HKFRS, issued by the HKICPA.

Hutchison's consolidated financial statements for each of the years ended December 31, 2010 and 2011, previously published in the respective annual reports of Hutchison and included elsewhere in this offering memorandum, have been audited by PwC, Certified Public Accountants, as stated in their audit reports dated March 29, 2011 and March 29, 2012, respectively.

In 2011, Hutchison has adopted all of the new and revised standards, amendments and interpretations issued by HKICPA that are relevant to Hutchison's operations and mandatory for annual accounting periods beginning January 1, 2011. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to Hutchison's result of operations or financial position. In addition, Hutchison has also adopted amendments to HKAS 12 "Income taxes - Deferred Tax: Recovery of Underlying Assets", in 2011 ahead of its mandatory effective date of January 1, 2012. This resulted in a change to Hutchison's accounting policy on measurement of deferred tax liability in respect of its investment properties. In accordance with HKFRS, this change in accounting policy has been applied retrospectively and prior period financial information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy and a copy of Hutchison's restated consolidated income statement for the years ended December 31, 2009 and 2010, and Hutchison's restated consolidated statement of financial position as at December 31, 2009 and 2010 have been disclosed in note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Hutchison's consolidated financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from U.S. GAAP. This offering memorandum does not contain any discussion of the differences between HKFRS and U.S. GAAP relevant to Hutchison's consolidated financial statements. 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.

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

Consolidated Income Statement:

	Year Ended December 31,			
	As restated[1] 2009	As restated[1] 2010	2011	2011
	HK$ millions (other than per share amounts)	HK$ millions (other than per share amounts)	HK$ millions (other than per share amounts)	US$ millions (other than per share amounts)
Company and subsidiary companies:				
Revenue	208,808	209,180	233,700	29,962
Cost of inventories sold	(74,275)	(78,321)	(93,059)	(11,931)
Staff costs	(28,309)	(28,768)	(30,488)	(3,909)
Telecommunications customer acquisition costs	(16,544)	(16,013)	(22,497)	(2,884)
Depreciation and amortization	(16,258)	(14,932)	(14,080)	(1,805)
Other operating expenses	(60,769)	(50,456)	(53,055)	(6,802)
Change in fair value of investment properties	1,117	855	—	—
Profits on disposal of investments and others	12,472	—	43,147	5,532
Share of profits less losses after tax of:				
Associated companies	5,390	6,469	13,819	1,772
Jointly controlled entities	3,727	9,387	5,877	753
Profit before the following:	35,359	37,401	83,364	10,688
Interest expenses and other finance costs	(9,613)	(8,476)	(8,415)	(1,079)
Profit before tax	25,746	28,925	74,949	9,609
Current tax	(4,588)	(2,493)	(3,237)	(415)
Deferred tax credit (charge)	269	(706)	2,150	276
Profit after tax	21,427	25,726	73,862	9,470
Allocated as:				
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,573)	(5,547)	(17,843)	(2,288)
Profit attributable to ordinary shareholders of the Company	13,854	20,179	56,019	7,182
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$3.25	HK$4.73	HK$13.14	US$1.68
Dividends per share	HK$1.73	HK$1.92	HK$2.08	US26.7 cents

(1) The consolidated income statements for the years ended December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Ratios and Other Information:

	Year Ended December 31,		
	As restated[1] 2009	As restated[1] 2010	2011
Return on Average Ordinary Shareholders' Funds (%)[1]	5.0	6.9	17.4
Current Ratio	1.7	1.6	1.3
Earnings[1] to Fixed Charges	3.6	4.4	9.8
EBITDA before CAC[1] to Fixed Charges	8.3	9.9	19.3
EBITDA before CAC[1] to Net Interest[2]	11.5	13.6	29.2
FFO before CAC[1] before net interest and other finance costs to Net Interest[2]	6.9	8.9	10.2
Net Debt/EBITDA before CAC[1]	1.7	1.5	0.8
FFO before CAC[1]/Net Debt (%)	28.8	37.3	40.6
Net Debt/Net Total Capital[1] (%)	29.7	26.0	23.8
Net Assets[1] attributable to ordinary shareholders of Hutchison per share — Book Value (HK$)	67.3	70.0	80.7

(1) The ratios for the years ended December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

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

Earnings	—	Represents profit before tax and fixed charges.
Fixed Charges	—	Consist of interest expenses and other finance costs (including amounts capitalized) on all borrowings.
EBITDA	—	EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortization, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in 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 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 flows or results as determined in accordance with generally accepted accounting principles in Hong Kong. Hutchison's calculation of EBITDA may differ from similarly titled computations of other companies.
CAC	—	Telecommunications customer acquisition costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers.
Net Interest	—	Fixed charges, net of interest income of Hutchison and its subsidiaries.
FFO	—	Funds from operations is defined as EBITDA after interest expenses, other finance costs paid, tax paid and certain other items as shown on the consolidated statement of cash flows included in Hutchison's consolidated financial statements included elsewhere in this offering memorandum. 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 non-controlling 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 statement of cash flows included in Hutchison's consolidated financial statements included elsewhere in this offering memorandum.
Net Total Capital	—	Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

Consolidated Statement of Financial Position:

	As of December 31,			
	As restated[(1)] 2009	As restated[(1)] 2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
ASSETS				
Non-current assets				
Fixed assets	176,192	167,851	155,502	19,936
Investment properties	42,323	43,240	42,610	5,463
Leasehold land	29,191	27,561	10,004	1,282
Telecommunications licenses	70,750	68,333	75,503	9,680
Goodwill	28,858	27,332	26,338	3,377
Brand names and other rights	7,351	12,865	12,615	1,617
Associated companies	83,777	105,589	137,703	17,654
Interests in joint ventures	51,634	54,103	67,562	8,662
Deferred tax assets	14,650	14,097	16,992	2,178
Other non-current assets	5,286	9,131	10,184	1,306
Liquid funds and other listed investments	23,213	24,585	20,239	2,595
	533,225	554,687	575,252	73,750
Current assets				
Cash and cash equivalents	92,521	91,652	66,539	8,531
Trade and other receivables	48,146	57,229	60,345	7,737
Inventories	16,593	17,733	18,408	2,360
	157,260	166,614	145,292	18,628
Current liabilities				
Trade and other payables	73,029	80,889	78,093	10,012
Bank and other debts	17,589	23,122	28,835	3,697
Current tax liabilities	3,249	2,900	2,431	312
	93,867	106,911	109,359	14,021
Net current assets	63,393	59,703	35,933	4,607
Total assets less current liabilities	596,618	614,390	611,185	78,357
Non-current liabilities				
Bank and other debts	242,851	228,134	189,719	24,323
Interest bearing loans from non-controlling shareholders	13,424	13,493	6,502	834
Deferred tax liabilities	9,063	9,857	8,893	1,140
Pension obligations	2,436	1,702	2,992	383
Other non-current liabilities	4,520	3,945	4,296	551
	272,294	257,131	212,402	27,231
Net assets	324,324	357,259	398,783	51,126
CAPITAL AND RESERVES				
Share capital	1,066	1,066	1,066	137
Perpetual capital securities	—	15,600	15,600	2,000
Reserves	285,829	297,367	342,946	43,967
Total ordinary shareholders' funds and perpetual capital securities	286,895	314,033	359,612	46,104
Non-controlling interests	37,429	43,226	39,171	5,022
Total equity	324,324	357,259	398,783	51,126

(1) The consolidated statements of financial position as at December 31, 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS 12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Consolidated Statement of Cash Flows:

	Year Ended December 31,			
	2009	2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
Operating activities				
Cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications customer acquisition costs and changes in working capital	53,061	59,275	62,578	8,023
Interest expenses and other finance costs paid	(8,910)	(7,763)	(7,738)	(992)
Tax paid	(2,866)	(2,617)	(3,231)	(414)
Funds from operations before telecommunications customer acquisition costs	41,285	48,895	51,609	6,617
Telecommunications customer acquisition costs	(16,544)	(16,013)	(22,497)	(2,884)
Funds from operations	24,741	32,882	29,112	3,733
Changes in working capital	(4,514)	(3,015)	9,948	1,275
Net cash from operating activities	20,227	29,867	39,060	5,008
Investing activities				
Purchase of fixed assets and investment properties	(19,052)	(21,683)	(25,039)	(3,210)
Additions to leasehold land	(30)	(54)	(110)	(14)
Additions to telecommunications licenses	—	(146)	(5,693)	(730)
Additions to brand names and other rights	(494)	(461)	(82)	(10)
Purchase of subsidiary companies	(126)	—	1	—
Additions to other unlisted investments and long term receivables	(257)	(4,163)	(129)	(17)
Repayments from associated companies and jointly controlled entities	10,423	1,203	2,546	326
Purchase of and net advances (including deposits from) to associated companies and jointly controlled entities	1,449	(16,056)	(25,768)	(3,304)
Proceeds on disposal of fixed assets, leasehold land and investment properties	1,345	9,997	1,554	200
Proceeds on disposal / de-recognition of subsidiary companies	15,892	(69)	35,609	4,565
Proceeds on disposal of associated companies	176	1	250	32
Proceeds on disposal of jointly controlled entities	48	10	—	—
Proceeds on disposal of other unlisted investments	714	589	566	73
Proceeds on disposal of infrastructure project investments	18	—	—	—
Cash flows from (used in) investing activities before addition to / disposal of liquid funds and other listed investments	10,106	(30,832)	(16,295)	(2,089)
Disposal of liquid funds and other listed investments	13,468	523	4,498	576
Additions to liquid funds and other listed investments	(4,835)	(1,227)	(306)	(39)
Cash flows from (used in) investing activities	18,739	(31,536)	(12,103)	(1,552)
Net cash inflow (outflow) before financing activities	38,966	(1,669)	26,957	3,456

	Year Ended December 31,			
	2009	2010	2011	2011
	HK$ millions	HK$ millions	HK$ millions	US$ millions
Financing activities				
New borrowings	111,452	41,232	18,957	2,430
Repayment of borrowings	(103,182)	(49,434)	(42,014)	(5,386)
Issue of shares by subsidiary companies to non-controlling shareholders and loans from (repayment to) non-controlling shareholders	(487)	8,105	1,260	161
Payments to acquire additional interest in subsidiary companies	(610)	(4,727)	(4,816)	(617)
Proceeds on issue of perpetual capital securities, net of transaction costs	—	15,464	—	—
Dividends paid to non-controlling shareholders	(3,529)	(2,465)	(16,165)	(2,072)
Distributions paid on perpetual capital securities	—	—	(936)	(120)
Dividends paid to ordinary shareholders	(7,375)	(7,375)	(8,356)	(1,071)
Cash flows from (used in) financing activities	(3,731)	800	(52,070)	(6,675)
Increase (decrease) in cash and cash equivalents	35,235	(869)	(25,113)	(3,219)
Cash and cash equivalents at January 1	57,286	92,521	91,652	11,750
Cash and cash equivalents at December 31	92,521	91,652	66,539	8,531
Analysis of cash, liquid funds and other listed investments				
Cash and cash equivalents, as above	92,521	91,652	66,539	8,531
Liquid funds and other listed investments	23,213	24,585	20,239	2,595
Total cash, liquid funds and other listed investments	115,734	116,237	86,778	11,126
Total principal amount of bank and other debts	259,089	247,362	213,854	27,417
Interest bearing loans from non-controlling shareholders	13,424	13,493	6,502	834
Net debt	156,779	144,618	133,578	17,125
Interest bearing loans from non-controlling shareholders	(13,424)	(13,493)	(6,502)	(834)
Net debt (excluding interest bearing loans from non-controlling shareholders)	143,355	131,125	127,076	16,291

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

The following discussion reflects certain changes made to the consolidated financial information of Hutchison as a result of its adoption of all of the new and revised standards, amendents and interpretations issued by the HKICPA that are relevant to Hutchison's operations and mandatory for annual accounting periods beginning January 1, 2011 and the adoption of the amendments to HKAS 12 "Income taxes — Deferred Tax Recovery of Underlying Assets" in 2011 ahead of its mandatory effective date of January 1, 2012. Accordingly, the following discussion should be read in conjunction with the audited consolidated financial statements of Hutchison and related notes thereto included elsewhere in this offering memorandum and "Selected Consolidated Financial Information of Hutchison".

HPH Trust is presented as a separate operation within the ports and related services division following the completion of its spin-off and separate listing on the Main Board of the SGX-ST in March 2011. HPH Trust holds Hutchison's interests in deep-water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports. Hutchison accounts for the retained interests in this former subsidiary as an investment in an associated company. Prior year corresponding segment information that is presented for comparative purposes has been restated accordingly and is unaudited.

Overview

Hutchison is a holding company and engages in its various activities through subsidiaries, associates and JCEs. It currently operates six core businesses in 53 countries throughout the world: ports and related services; property and hotels; retail; infrastructure; energy; and telecommunications.

Hutchison's results of operations for 2009, 2010 and 2011 reflect the overall steady growth in profitability of its core businesses, together with **3** Group achieving positive EBIT operating results from the second half of 2010, as well as profits on disposal of investments and others. In 2011, Hutchison's results of operations performed well despite the continuing economic challenges as the world's major economies recovered from the severe global financial crisis in 2008. In particular, Hutchison's six core businesses experienced positive results during 2011, notwithstanding the volatile economic conditions with increasing sovereign debt risk in Europe as well as rising inflationary concerns in Asia.

In 2009, Hutchison had a profit attributable to shareholders of HK$13,854 million, which included pre-tax profits on disposal of investments and others of HK$12,472 million and pre-tax profits on revaluation of investment properties of HK$1,663 million. If the profits on disposal of investments and others and on revaluation of investment properties were excluded, the profit attributable to shareholders for 2009 would have been HK$4,391 million. In 2010, Hutchison had a profit attributable to shareholders of HK$20,179 million, which included pre-tax profits on revaluation of investment properties of HK$4,198 million. If the profits on revaluation of investment properties were excluded, the profit attributable to shareholders for 2010 would have been HK$16,614 million. In 2011, Hutchison reported a profit attributable to shareholders of HK$56,019 million, which included pre-tax profits on revaluation of investment properties of HK$780 million and post-tax profits on disposal of investments and others (after non-controlling interest) of HK$32,868 million, mainly relating to dilution gain arising from the spin-off and listing of HPH Trust. If the profits on disposal of investments and others and on revaluation of investment properties were excluded, the profit attributable to shareholders for 2011 would have been HK$22,561 million.

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.

Turnover, EBIT and Other Information

The following tables show Hutchison's turnover and EBIT by business divisions for the periods indicated. The financial information in the following tables reflects certain changes made to the consolidated financial information of Hutchison as a result of its adoption of all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to Hutchison's operations and mandatory for annual accounting periods beginning January 1, 2011, and the adoption of the amendments to HKAS 12 "Income taxes — Deferred Tax Recovery of Underlying Assets", in 2011 ahead of its mandatory effective date of January 1, 2012. Accordingly, the financial information should be read in conjunction with the audited consolidated financial statements of Hutchison and related notes included elsewhere in this offering memorandum and "Selected Consolidated Financial Information of Hutchison".

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.

	Year Ended December 31,					
	2009		2010		2011	
	HK$ millions	%	HK$ millions	%	HK$ millions	%
Ports and related services	25,670	9%	29,118	9%	32,518	8%
Hutchison Ports Group	*22,952*	*8%*	*26,150*	*8%*	*29,194*	*7%*
HPH Trust / HPH Trust operations [1,2]	*2,718*	*1%*	*2,968*	*1%*	*3,324*	*1%*
Property and hotels	13,912	5%	16,159	5%	17,226	4%
Retail	116,098	39%	123,177	38%	143,564	37%
Cheung Kong Infrastructure	14,980	5%	18,265	6%	30,427	8%
Husky Energy	35,808	12%	44,640	14%	63,027	16%
Hutchison Telecommunications Hong Kong Holdings	8,449	3%	9,880	3%	13,407	4%
Hutchison Asia Telecommunications	1,855	1%	2,486	1%	2,332	1%
Telecommunications — Israeli Operation	9,890	3%	—	—	—	—
3 Group	57,590	19%	64,205	20%	74,288	19%
Finance & Investments and others	8,540	3%	8,809	3%	10,928	3%
	292,792	99%	316,739	99%	387,717	100%
Reconciliation item [3]	2,161	1%	2,357	1%	—	—
Reported Turnover	294,953	100%	319,096	100%	387,717	100%
Non-controlling interests' share of HPH Trust / HPH Trust operations' turnover	5,596		6,253		1,789	
Total	300,549		325,349		389,506	

(1) HPH Trust is presented as a separate operation within the Ports and related services segment following the completion of its spin-off and separate listing on the Main Board of the SGX-ST in March 2011. HPH Trust holds Hutchison's interests in deep-water container port businesses in the Pearl River Delta, including Hong Kong and Yantian ports. Hutchison accounts for the retained interests in this former subsidiary as an investment in an associated company.

(2) To enable a better comparison of underlying performance, comparable revenue for 2009 and 2010 only reflect Hutchison's attributable share of revenue based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 so that the year-on-year changes can be calculated on a like-for-like basis.

(3) The reconciliation item in 2009 and 2010 represents Hutchison's actual effective share of turnover in excess of Hutchison's share of turnover as calculated in note (2) above based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011.

Hutchison's turnover increased from HK$300,549 million in 2009, to HK$325,349 million in 2010, and increased 20% to HK$389,506 million (US$49,937 million) in 2011.

- **Ports and Related Services** Turnover from the division increased from HK$25,670 million in 2009 to HK$29,118 million in 2010 and HK$32,518 million (US$4,169 million) in 2011. The increase in 2010 was mainly due to the overall throughput increase and reflects a recovery in global trade volume. The division's various ports in Hong Kong and the Mainland, other Asian countries, Europe, the Americas, as well as the Middle East and Africa recorded combined throughput growth of 15%, 14%, 12%, 27% and 11%, respectively. The increase in 2011 mainly results from a 5% higher total throughput, on a like-for-like basis after excluding the adverse impact of 3.3 million TEUs from the cessation of the container handling business of SCT from January 2011 onwards. This reflects a modest recovery in trade volume of most markets around the world during the year.

- **Property and Hotels** Turnover from the division increased from HK$13,912 million in 2009 to HK$16,159 million in 2010, mainly due to higher sales revenue from property development projects in the Mainland, Singapore and Hong Kong, and higher rental income from investment properties in Hong Kong. Gross rental income grew 4% from HK$3,787 million in 2009 to HK$3,949 million in 2010, with 97% of the rental properties portfolio being leased at the end of 2010. Turnover increased to HK$17,226 million (US$2,208 million) in 2011, mainly due to higher sales revenue from all subdivisions other than investment properties. Gross rental income decreased 2% to HK$3,859 million (US$495 million) in 2011 due to the disposal of Hutchison's interest in Beijing Oriental Plaza, an investment property, in April 2011. Excluding the impact of the disposal, the recurring rental income grew by 3%. At the end of 2011, 97% of Hutchison's rental properties portfolio were leased.

- **Retail** Turnover from the division increased from HK$116,098 million in 2009 to HK$123,177 million in 2010, primarily from strong sales in the health and beauty operations in Asia and retail operations in Hong Kong. Turnover increased by 8% in local currencies in 2010. Turnover increased to HK$143,564 million (US$18,406 million) in 2011, primarily from sales growth across all subdivisions, which was supported by the increase in the number of stores and, except for the Luxury Europe subdivision, year-on-year comparable sales growth. In local currencies, the retail division reported a 12% growth in turnover.

- **CKI** Turnover from CKI increased from HK$14,980 million in 2009 to HK$18,265 million in 2010, mainly due to revenue contributions from Seabank Power and UK Power Networks, which were acquired in May 2010 and October 2010 respectively. Turnover increased to HK$30,427 million (US$3,901 million) in 2011, mainly due to the first full-year revenue contribution from UK Power Networks, as well as the revenue contribution from UK Water, which was acquired in October 2011.

- **Husky Energy** Turnover from Husky Energy increased from HK$35,808 million in 2009 to HK$44,640 million in 2010, primarily due to higher crude oil prices realized in the upstream business segment combined with increased product prices and sales volume from its U.S. refining business, partially offset by decreased production of crude oil and natural gas. Turnover increased to HK$63,027 million (US$8,080 million) in 2011, primarily due to higher crude oil and natural gas production, as well as higher realized crude oil prices.

- **HTHKH** Turnover from HTHKH increased from HK$8,449 million in 2009 to HK$9,880 million in 2010 and to HK$13,407 (US$1,719 million) in 2011, mainly due to higher data revenue and increased sales of smartphones as well as continuing growth in the carrier business segment of its fixed-line businesses.

- **HTIL/HAT** Turnover from HAT decreased to HK$2,486 million in 2010, principally due to foregone revenue as a result of the disposal of Partner Communications in October 2009. Turnover from HAT decreased to HK$2,332 million (US$299 million) in 2011, principally due to forgone revenue as a result of the disposal of its Thailand operations in January 2011.

- **3 Group** Turnover from the division increased from HK$57,590 million in 2009 to HK$64,205 million in 2010, mainly due to continued customer growth, particularly in the smartphones and mobile broadband access segments. In local currencies, turnover increased 10%. Turnover for 2011 increased 16% to HK$74,288 million (US$9,524 million) as a result of an enlarged customer base and increased sales of smartphone products. In local currencies, turnover increased 8%.

- **Finance & Investments and others** Turnover from the division includes the returns earned on Hutchison's holdings of cash and liquid investments and the results of Hutchison China, listed subsidiary HHR, listed associate TOM Group and Hutchison Water. Turnover increased from HK$8,540 million in 2009 to HK$8,809 million in 2010, primarily due to higher turnover contribution from Hutchison China, partially offset by lower turnover contribution from the manufacturing and technology operations of HHR and lower returns from cash deposits and managed funds as a result of lower effective interest rates. Turnover in 2011 increased to HK$10,928 million (US$1,401 million), primarily due to higher returns from cash deposits and managed funds and higher turnover contribution from Hutchison China, partially offset by lower contribution from TOM Group.

EBIT

The following table shows Hutchison's EBIT (LBIT), including share of associates and JCEs, by business divisions (presented before change in fair value of investment properties and profits 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 (LBIT) contribution percentages of each division will be different from its turnover contribution percentages due to the different EBIT (LBIT) margins of each division. The contribution percentages of each division will vary from year to year due to different rates of growth.

	Year Ended December 31,					
	As restated 2009		**As restated 2010**		**2011**	
	HK$ millions	**%**	**HK$ millions**	**%**	**HK$ millions**	**%**
Ports and related services	6,424	25%	7,207	18%	8,226	16%
Hutchison Ports Group	*5,248*	*21%*	*5,877*	*15%*	*6,937*	*13%*
HPH Trust / HPH Trust operations [1,2]	*1,176*	*4%*	*1,330*	*3%*	*1,289*	*3%*
Property and hotels	6,430	25%	8,847	23%	9,517	18%
Retail	5,692	23%	7,866	20%	9,330	18%
Cheung Kong Infrastructure	6,905	27%	8,454	22%	13,478	26%
Husky Energy	3,246	13%	3,073	8%	8,614	17%
Hutchison Telecommunications Hong Kong Holdings	692	3%	1,090	3%	1,435	3%
Hutchison Asia Telecommunications	(2,681)	(11)%	(2,688)	(7)%	(1,181)	(2)%
Telecommunications — Israeli Operation	2,482	10%	—	—	—	—
3 Group	(8,922)	(35)%	2,931	8%	1,481	3%
Finance & Investments and others	3,934	16%	810	2%	470	1%
	24,202	96%	37,590	97%	51,370	100%
Reconciliation item [3]	968	4%	1,058	3%	—	—
Reported EBIT before property revaluation and profits on disposal of investments and others	25,170	100%	38,648	100%	51,370	100%
Change in fair value of investment properties	1,663		4,198		780	
Total	26,833		42,846		52,150	

(1) HPH Trust is presented as a separate operation within the ports and related services segment following the completion of its spin-off and separate listing on the Main Board of the SGX-ST in March 2011. HPH Trust holds Hutchison's interests in deep-water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports. Hutchison accounts for the retained interests in this former subsidiary as an investment in an associated company.

(2) To enable a better comparison of underlying performance, comparable EBIT for 2009 and 2010 only reflect Hutchison's attributable share of EBIT based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 so that the year-on-year changes can be calculated on a like-for-like basis.

(3) The reconciliation item in 2009 and 2010 represents Hutchison's actual effective share of EBIT in excess of Hutchison's share of EBIT as calculated in note (2) above based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011.

(4) The results of 2009 and 2010 have been restated to reflect Hutchison's adoption of the amendments to HKAS12 "Income taxes" in 2011. See note 1 to Hutchison's audited consolidated financial statements for the year ended December 31, 2011 incorporated included elsewhere in this offering memorandum.

Hutchison's EBIT increased from HK$26,833 million in 2009 to HK$42,846 million in 2010, and increased 22% to HK$52,150 million (US$6,686 million) in 2011.

- **Ports and Related Services** EBIT from the division was HK$6,424 million in 2009, HK$7,207 million in 2010 and HK$8,226 million (US$1,055 million) in 2011. The increase in EBIT in 2010 was primarily due to higher throughput, improved operational efficiency and the continued benefits from cost saving initiatives implemented in 2009 and a one-time gain as a result of marking an investment to market value as required under HKFRS. Major contributors to the higher EBIT in 2010 were ports in Hong Kong, the Mainland and the Americas. The increase in EBIT in 2011 reflected the overall improvement in financial performance across all segments, which were driven by throughput growth and productivities and efficiency initiatives, as well as cost saving initiatives.

- **Property and Hotels** EBIT from the division was HK$6,430 million in 2009, HK$8,847 million in 2010 and HK$9,517 million (US$1,220 million) in 2011. The increase in EBIT in 2010 was mainly due to higher development profits in the Mainland, Singapore and Hong Kong, growth in rental income from investment properties in Hong Kong, as well as a gain on disposal of an investment property in Singapore of HK$1,491 million (as restated). The increase in EBIT in 2011 was mainly due to the completion and sale of various residential projects in the Mainland and Hong Kong, as well as strong earnings growth in the hotel operations, partially offset by a 2% decline in gross rental income due to the disposal of Hutchison's interest in Beijing Oriental Plaza in April 2011.

- **Retail** EBIT from the division was HK$5,692 million in 2009 and HK$7,866 million in 2010. EBIT increased in 2010 principally as a result of comparable store sales growth, cost reduction programs, reduced inventory levels and enhanced operating efficiencies. EBIT increased 19% to HK$9,330 million (US$1,196 million) in 2011, primarily due to improved margin management and operating efficiencies, as well as increased own-brand and exclusive sales. In local currencies, the retail division reported a 15% growth in EBIT in 2011.

- **CKI** EBIT from CKI was HK$6,905 million in 2009, HK$8,454 million in 2010 and HK$13,478 million (US$1,728 million) in 2011. EBIT increased in 2010 mainly due to contributions from Seabank Power and UK Power Networks, which were acquired in May 2010 and October 2010, respectively, partially offest by the one-off gain in 2009 of HK$1,314 million from the sale of Mainland power assets to Power Assets. EBIT increased in 2011 mainly due to the first full-year contribution from UK Power Networks, gain on the disposal of CKI's 100% interest in Cambridge Water in August 2011, as well as the EBIT contribution from UK Water, which was acquired in October 2011.

- **Husky Energy** EBIT from Husky Energy was HK$3,246 million in 2009, HK$3,073 million in 2010 and HK$8,614 million (US$1,104 million) in 2011. EBIT decreased in 2010 primarily due to lower production, lower U.S. refinery margins, which were also impacted by a pipeline for delivery to the U.S. that was damaged and closed for a period, as well as increased depletion charges in South East Asia. EBIT increased in 2011 primarily due to strong production growth and higher average realized crude oil prices, as well as improved upgrading and refining margins.

- **HTHKH** EBIT from HTHKH increased from HK$692 million in 2009 to HK$1,090 million in 2010, mainly due to higher data revenue and increased sales of smartphones for mobile business as well as continuing traffic growth for its fixed line business. EBIT increased to HK$1,435 million (US$184 million) in 2011 mainly due to increased mobile data revenues from customers together with strong sales of smartphones, as well as continued growth in the carrier business segment for its fixed line operations.

- **HTIL/HAT** LBIT of HAT increased from HK$199 million in 2009 to HK$2,688 million in 2010, primarily due to profits forgone attributable to the disposal of Partner Communications in October 2009 and higher start-up losses incurred as HAT builds up its business in Indonesia and Vietnam. LBIT of HAT decreased to HK$1,181 mililion (US$151 million) in 2011, primarily due to one-time compensation contributions and gain on disposal of its Thailand operations in 2011.

- **3 Group** LBIT from the division was HK$8,922 million in 2009. The first full year positive EBIT result of HK$2,931 million was achieved in 2010. The turnaround of HK$11,853 million to EBIT in 2010 was mainly due to an enlarged customer base, cost savings from outsourcing activities, stringent cost controls and effective working capital management. EBIT in 2010 included a one-time substantial benefit of £500 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, partially offset by one-time provisions of £311 million mainly related to the restructuring of **3** UK's network infrastructure. **3** Italia also recognized a one-time substantial benefit of €146 million relating to the assignment of two blocks of 5 MHz of 1800 MHz spectrum. EBIT for 2011 decreased 49% to to HK$1,481 million (US$190 million), which principally reflected lower one-time gains recorded in 2011. In particular, EBIT for 2011 included a one-time net gain of €41.1 million (approximately HK$457 million, or US$59 million) in **3** Italia comprising a benefit of €166.0 million (approximately HK$1,843 million, or US$236 million) relating to two blocks of 5 MHz of 1800 MHz spectrum assigned in 2010, as a result of favorable changes in the license terms in 2011, partially offset by a write-off of €82.7 million (approximately HK$917 million, or US$118 million) due to an adverse court ruling on incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to approximately €42.0 million (approximately HK$469 million, or US$60 million). EBIT decreased 53% in local currencies. Excluding the one-time gains in both years, recurring EBIT in 2011 improved 224% compared to 2010.

- **Finance & Investments and Others** EBIT from the division mainly includes the returns earned on Hutchison's holdings of cash and liquid investments and the results of Hutchison China, listed subsidiary HHR, listed associate TOM Group and Hutchison Water. EBIT was HK$3,934 million in 2009, HK$810 million in 2010 and HK$470 million (US$60 million) in 2011. EBIT in 2010 decreased mainly due to one-time profits realized in 2009 from the disposal of certain listed investments, the repurchase of some of Hutchison's bonds, foreign exchange gains on repayment of loans and lower market interest rates, as well as lower write-back of provisions by HHR in 2010. EBIT in 2011 decreased to HK$470 million (US$60 million) primarily due to one-time profits recognized in 2010, which included profits from disposal of certain listed equity investments, as well as share of TOM Group's impairment of goodwill in 2011, partially offset by an increase in interest income as a result of rising market interest rates in 2011.

- Change in fair value of investment properties was an increase in value of HK$1,663 million in 2009, HK$4,198 million in 2010 and HK$780 million (US$100 million) in 2011.

Critical Accounting Policies

The preparation of financial statements 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 financial statements. 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 financial statements.

(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 and when there is indication that they may be impaired. 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 the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognized in other comprehensive income.

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 the income statement.

Hutchison's 3G businesses have achieved a second year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at December 31, 2011 and December 31, 2010 to assess whether the carrying values of Hutchison's 3G telecommunications licenses, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at December 31, 2011 and December 31, 2010 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 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 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, network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Average CACs in the start-up year of operation have also been significant, but have declined due to the improved market acceptance of the 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets.

For the purposes of impairment tests, the recoverable amount of the Hutchison's 3G telecommunications licenses, network assets and goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realized for the estimated terminal value. Hutchison prepared the financial budgets reflecting current and prior year performances and market development expectations. Projections in excess of the approved financial budgets period are used to take into account telecommunications spectrum license periods, increasing market share and growth momentum. For the purpose of the impairment tests, a market specific growth rate ranging from approximately 2% to 3% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect Hutchison's expectation of the performance of these businesses nor Hutchison's forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 5.8% and 6.2% used in Hutchison's 3G operations in Italy and the UK respectively). 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 that are considered to have an indefinite useful life to Hutchison are not amortized. Telecommunications licenses with finite useful lives 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. Licenses are reviewed for impairment annually.

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

Judgment is required to determine the useful lives of Hutchison's telecommunications licenses. 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 the income statement. In addition, governments from time to time revise the terms of licenses to change, among other terms, the contracted or expected license period, which could also impact the amount of amortization expense charged to the income statement.

(iii) Telecommunications customer acquisition costs

Telecommunications CACs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers. All telecommunications CACs are expensed and recognized in the income statement in the period in which they are incurred.

Judgment is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalize these costs will impact the charge to the income statement as these costs will be capitalized and amortized over the contract periods.

(c) Goodwill

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

(d) Investment properties valuation

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, among 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 the income statement.

(e) Tax

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.

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 financial statements. 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 the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

The 3G businesses commenced commercial operations from 2003 and some of these businesses are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognized for the carryforward amount of unused tax losses relating to Hutchison's 3G operation in the UK where, amongst other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilized to offset taxable profits generated by Hutchison's other operations in the UK. In addition, deferred tax assets have been recognized for the carryforward amount of unused tax losses relating to Hutchison's 3G operations in Sweden and Denmark, which have become profitable and are expected to have sufficient taxable profits available in the foreseeable future to utilize their unused tax losses. The ultimate realization of deferred tax assets recognized for **3** UK, **3** Sweden and **3** Denmark depends principally on these businesses 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 the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. 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.

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

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements 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 2(x) to Hutchison's consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum. Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgment as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from Hutchison. Careful and considered judgment is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalized and recognized on the statement of financial position as set out in note 2(x) to Hutchison's consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum. 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 the income statement immediately (operating lease).

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

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

2011 Compared to 2010

Turnover and EBIT in this section include share of associates and JCEs, adjusted to exclude non-controlling interests' share of the HPH Trust operations in both years as per the above tables.

Overview

Turnover for 2011 increased HK$64,157 million (US$8,225 million) or 20%, compared to 2010, mainly due to higher turnover from all divisions except for HAT, due to revenue forgone as a result of the disposal of its Thailand operations in January 2011.

EBIT for 2011 increased HK$9,304 million (US$1,193 million) or 22%, compared to 2010, primarily due to higher EBIT contributions from ports and related services division, property and hotels division, retail division, CKI, Husky Energy, HTHKH and lower LBIT from HAT, partially offset by lower EBIT contributions from **3** Group due to lower one-time gains in 2011 as compared to those in 2010 and from the finance & investments and others division.

There was no profit on disposal of investment and others in 2010, as compared to total profit on disposal of investments and others (after non-controlling interests) of HK$32,868 million (US$4,214 million) in 2011, which consisted of:

- Gain on the initial public offering ("IPO") of HPH Trust of HK$44,290 million (US$5,678 million), partially offset by

- Impairment charges on certain port assets totaling HK$7,110 million (US$912 million);
- Impairment charges on Vietnam telecommunications assets of HK$2,997 million (US$384 million); and
- Write-off of fixed assets of HK$1,315 million (US$169 million) by **3** UK.

Interest and other finance costs for 2011 decreased HK$61 million (US$8 million) or 1%, compared to 2010, mainly due to Hutchison's lower average borrowings, partly offset by higher effective market interest rates during 2011.

Taxation charge for 2011 decreased HK$2,112 million (US$271 million) or 66%, compared 2010, primarily due to the recognition of deferred tax assets of HK$2,199 million (US$282 million) (after share of non-controlling interest) by the telecommunications operations in Sweden and Denmark.

Profit attributable to non-controlling interests and holders of perpetual capital securities in 2011 increased HK$12,296 million (US$1,576 million) or 222%, compared to 2010, mainly due to the non-controlling interests' share of the gain on IPO of HPH Trust, as well as distributions on perpetual capital securities issued in October 2010.

The profit attributable to shareholders increased by 178% from HK$20,179 million in 2010 to HK$56,019 million (US$7,182 million) for 2011. Excluding the profits on disposal of investments and others, the recurring profit attributable to shareholders totaled HK$23,151 million (US$2,968 million) in 2011, 15% higher than in 2010 on a comparable basis.

Ports and Related Services

Turnover of the ports and related services division for 2011 increased HK$3,400 million (US$436 million) or 12%, compared to 2010. Total throughput for the division increased by 5%, on a like-for-like basis after excluding the adverse impact of 3.3 million TEUs from the cessation of the container handling business of SCT from January 2011 onwards. This reflects a modest recovery in trade volume of most markets around the world during the year.

EBIT in 2011 increased HK$1,019 million (US$131 million) or 14%, compared to 2010. All segments reported underlying year-on-year EBIT growth other than Hutchison's share of HPH Trust operation's EBIT which decreased primarily as a result of increased depreciation burden in 2011 following the revaluation of its assets to market value on its IPO. The overall improvement in financial performance across all segments has been driven by throughput growth and productivity and efficiency initiatives, as well as cost saving initiatives.

Property and Hotels

Turnover of the property and hotels division for 2011 increased HK$1,067 million (US$137 million) or 7%, compared 2010, primarily due to higher sales revenue from property development projects in Hong Kong and the Mainland and higher rental income from investment properties in Hong Kong, partially offset by comparatively low sales revenue from a property development project in Singapore after its completion and sale in 2010. Gross rental income of HK$3,859 million (US$495 million) was 2% lower than 2010 principally due to the disposal of Hutchison's interest in Beijing Oriental Plaza, an investment property, in April 2011. Excluding the impact of the disposal, the recurring rental income grew by 3%. At the end of 2011, 97% of Hutchison's rental properties portfolio were leased.

EBIT in 2011 increased HK$670 million (US$86 million) or 8%, compared to 2010 (as restated), mainly due to the completion and sale of various residential projects in the Mainland and Hong Kong, as well as earnings growth in the hotel operations, partly offset by lower gross rental income following the disposal of Hutchison's interest in Beijing Oriental Plaza in April 2011.

Retail

Turnover for the retail division for 2011 increased HK$20,387 million (US$2,614 million) or 17%, compared to 2010. In local currencies, this division reported a 12% sales growth, primarily attributable to sales growth across all subdivisions, which was supported by the increase in the number of stores and, except for the Luxury Europe subdivision, on year-on-year comparable store sales growth.

EBIT for 2011 increased HK$1,464 million (US$188 million) or 19%, compared to 2010. In local currencies, EBIT increased by 15%, primarily due to comparable store sales growth, improved margin management and operating efficiencies, as well as increased own-brand and exclusive sales.

Cheung Kong Infrastructure

Turnover of CKI for 2011 increased HK$12,162 million (US$1,559 million) or 67%, compared to 2010, mainly due to the first full-year revenue contribution from UK Power Networks, as well as the revenue contribution from UK Water, which was acquired in October 2011.

EBIT for 2011 increased HK$5,024 million (US$644 million) or 59%, compared to 2010, largely due to the first full year contribution from UK Power Networks, gain on the disposal of CKI's 100% interest in Cambridge Water in August 2011, as well as the EBIT contribution from UK Water, which was acquired in October 2011.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for 2011 increased HK$18,387 million (US$2,357 million) or 41%, compared to 2010, primarily due to higher crude oil and natural gas production as well as higher average realized crude oil prices.

EBIT for 2011 increased HK$5,541 million (US$710 million) or 180%, compared to 2010, primarily due to strong production growth, higher average realized crude oil prices, and improved upgrading and refincing margins.

Hutchison Telecommunications Hong Kong Holdings

Turnover of HTHKH for 2011 increased HK$3,527 million (US$452 million) or 36%, mainly due to higher data revenue and increased sales of smartphones.

EBIT for 2011 increased HK$345 million (US$44 million) or 32%, compared to 2010, mainly due to increased mobile data revenues, increased sale of smartphones for mobile business as well as continued growth in the carrier business of HTHKH's fixed-line operations.

Hutchison Asia Telecommunications

Turnover of HAT for 2011 decreased HK$154 million (US$20 million) or 6%, compared to 2010, primarily due to forgone revenue as a result of the the disposal of its Thailand operations in January 2011.

LBIT for 2011 decreased to HK$1,181 million (US$151 million) in 2011 from HK$2,688 million in 2010, primarily due to one-time compensation contributions and gain on the disposal of HAT's Thailand operations.

3 *Group*

Turnover of **3** Group for 2011 increased HK$10,083 million (US$1,293 million), or 16%, compared to 2010, as a result of increased sales to an enlarged customer base and increased sales of smartphone products. In local currencies, turnover increased 8%.

EBIT for 2011 decreased 49% to HK$1,481 million (US$190 million), which principally reflected lower one-time gains recorded in 2011. In particular, EBIT for 2011 included a one-time net gain of €41 million (approximately HK$457 million as compared to those recorded in 2010 or US$59 million) in **3** Italia comprising a benefit of €166 million (approximately HK$1,843 million or US$236 million) relating to two blocks of 5 MHz of 1800 MHz spectrum assigned in 2010, as a result of favorable changes in the license terms in 2011, partially offset by a write-off of €83 million (approximately HK$917 million or

US$118 million) due to an adverse court ruling on incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to €42 million (approximately HK$469 million or US$60 million). Excluding the one-time gains in both years, recurring EBIT in 2011 improved 224% compared to 2010.

Finance & Investments and others

Turnover of the finance & investments and others division for 2011 increased HK$2,119 million (US$272 million) or 24%, compared to 2010, mainly due to higher returns from cash deposits and managed funds as a result of higher effective interest rates, higher turnover contribution from Hutchison China, partially offset by lower contribution from TOM Group.

EBIT for 2011 decreased HK$340 million (US$44 million) or 42%, compared to 2010, mainly due to one-time gains recognized in 2010, which included profits from the disposal of certain listed equity investments, as well as share of TOM Group's impairment of goodwill in 2011, partially offset by an increase in interest income as a result of rising market interest rates in 2011.

2010 Compared to 2009

Turnover and EBIT in this section include share of associates and JCEs, adjusted to exclude non-controlling interests' share of the HPH Trust operations in both years as per the above tables.

Overview

Turnover for 2010 increased HK$24,800 million or 8%, compared to 2009, mainly due to higher crude oil prices and increased product prices and sales volume which increased Husky Energy's revenue, and higher contributions from the retail division and **3** Group as well as the ports and related services division.

EBIT for 2010 increased HK$16,013 million or 60%, compared to 2009, reflecting a milestone EBIT positive contribution from **3** Group, increased contributions from the property and hotels division, retail division, CKI, ports and related services division, as well as HTHKH. These increases were partially offset by the loss of contribution from the Israel telecommunications operation that was disposed in October 2009 and lower contributions from the finance & investments and others division, as well as Husky Energy.

There was no profit on disposal of investments and others included in EBIT for 2010 as compared to profit on disposal of investments and others totaling HK$12,472 million for 2009, which consisted of:

- Gain on disposal of Hutchison's entire shareholding in Partner Communications in Israel of HK$7,392 million;
- Gain on merger of **3** Australia with Vodafone's Australian operations of HK$3,641 million;
- Gain on disposal of equity interests in three power plants in the Mainland by CKI of HK$847 million; and
- Profits on disposal of telecommunications tower assets in Indonesia by HTIL of HK$592 million.

Interest and other finance costs for 2010 decreased HK$1,137 million or 12%, compared to 2009, mainly due to lower effective interest rates and average borrowings in 2010.

Taxation charge for 2010 decreased HK$1,120 million or 26%, primarily due to the one-time 2009 provision for tax related to the disposal of Partner Communications in 2009.

Non-controlling interests for 2010 decreased HK$2,026 million or 27%, compared to 2009, mainly due to the non-controlling interests' share of profit on disposal of investments and others in 2009.

The profit attributable to shareholders for 2010 increased HK$6,325 million or 46%, compared to 2009.

Ports and Related Services

Turnover of the ports and related services division for 2010 increased HK$3,448 million or 13%, compared to 2009, primarily due to a 15% increase in throughput to 75.0 million TEUs. The overall throughput increase was primarily due to the recovery in global trade volume. The division's various ports in Hong Kong and the Mainland, other Asian countries, Europe, the Americas, as well as the Middle East and Africa recorded combined throughput growth of 15%, 14%, 12%, 27% and 11%, respectively.

EBIT for 2010 increased HK$783 million or 12%, compared to 2009, mainly due to higher throughput, improved operational efficiency and the benefit from cost saving initiatives implemented in 2009 and a one-time gain as a result of marking an investment to market value as required under HKFRS. Major contributors to the higher EBIT were ports in Hong Kong, the Mainland and the Americas.

Property and Hotels

Turnover of the property and hotels division for 2010 increased HK$2,247 million or 16%, compared to 2009, mainly due to higher sales proceeds from property development projects in the Mainland, Singapore and Hong Kong, as well as higher rental income from investment properties in Hong Kong. Gross rental income grew 4% to HK$3,949 million in 2010 compared to 2009.

EBIT for 2010 (as restated) increased HK$2,417 million or 38%, compared to 2009, primarily due to higher development profits mainly from the completion and sale of property units in various residential projects in the Mainland, Singapore and Hong Kong, increased rental income from investment properties in Hong Kong as well as a gain on disposal of an investment property in Singapore of HK$1,491 million (as restated).

Retail

Turnover for the retail division in 2010 increased HK$7,079 million or 6%, compared to 2009. In local currencies, this division reported 8% sales growth, primarily attributable to the retail operations in Asia and Hong Kong.

EBIT in 2010 increased HK$2,174 million or 38%, compared to 2009. In local currencies, EBIT increased by 41%, principally driven by management's strong commitment to improving operating efficiencies, reducing inventory levels, increasing centralized purchasing and continued expansion in high growth markets.

Cheung Kong Infrastructure

Turnover of CKI for 2010 increased HK$3,285 million or 22%, compared to 2009, primarily due to revenue contributions from Seabank Power and UK Power Networks, which were acquired in May 2010 and October 2010, respectively.

EBIT for 2010 increased HK$1,549 million or 22%, compared to 2009 mainly due to contributions from Seabank Power and UK Power Networks, which were acquired in May 2010 and October 2010, respectively.

Husky Energy

Turnover of Husky Energy attributable to Hutchison for 2010 increased HK$8,832 million or 25%, compared to 2009, primarily due to higher crude oil prices realized in the upstream business segment combined with increased product prices and sales volume from its U.S. refining business, partially offset by decreased production of crude oil and natural gas.

EBIT for 2010 decreased HK$173 million or 5%, compared to 2009, primarily due to lower product margins in the U.S. and Canadian downstream business segments and lower production volumes, and increased depletion expenses.

Hutchison Telecommunications Hong Kong Holdings

Turnover of HTHKH for 2010 increased HK$1,431 million or 17%, mainly due to higher data revenue and hardware sales of the mobile business.

EBIT for 2010 increased HK$398 million or 58%, largely due to increased data revenue, increased sales of smartphones for mobile business, as well as continuing traffic growth in HTHKH's fixed-line businesses.

Hutchison Asia Telecommunications

Turnover of HAT for 2010 decreased HK$9,259 million or 79%, compared to 2009, mainly due to the disposal of Partner Communications in October 2009, partially offset by higher revenue of the Indonesia and Vietnam operations.

LBIT for 2010 increased HK$2,489 million or 1,251%, primarily due to the profits forgone attributable to the disposal of Partner Communications in October 2009 and higher start-up losses incurred as HAT builds up its business in Indonesia and Vietnam.

***3** Group*

Turnover of **3** Group for 2010 increased HK$6,615 million or 11%, compared to 2009, mainly due to the growth in customer base, particularly in the smartphones and mobile broadband access segments. In local currencies, turnover increased 10%.

A turnaround from LBIT to EBIT occurred in 2010, reflecting an improvement of HK$11,853 million or 133%, compared to 2009. All operations, except **3** Ireland, achieved EBIT positive operating results in the period. This turnaround was principally the result of an enlarged customer base, reduced operating losses and reduced cash outflow by focusing on acquiring higher value smartphones and mobile broadband access customers, stabilizing churn and implementing cost reduction measures. EBIT in 2010 included a one-time substantial benefit of £500 million (approximately HK$6,010 million) arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, partially offset by one-time provisions of £311 million (approximately HK$3,742 million) mainly related to the restructuring of **3** UK's network infrastructure. EBIT for 2010 also included a one-time substantial benefit of €146 million (approximately HK$1,489 million) of **3** Italia relating to the assignment of two blocks of 5 MHz of 1800 MHz spectrum.

Finance & Investments and others

Turnover of the finance & investments and others division for 2010 increased HK$269 million or 3%, compared to 2009, mainly due to higher turnover contribution from Hutchison China, partially offset by lower turnover contribution from the manufacturing and technology operations of HHR and lower returns from cash deposits and managed funds as a result of lower effective interest rates.

EBIT for 2010 decreased HK$3,124 million or 79%, compared to 2009, primarily due to lower interest income as a result of one-time 2009 profits totaling HK$2,340 million, which included profits from the disposal of certain listed equity investments, the repurchase of some of Hutchison's bonds and foreign exchange gains on repayment of loans, as well as lower market interest rates and lower write-back of provisions by HHR in 2010.

Liquidity and Capital Resources

The discussion of liquidity and capital resources addresses Hutchison's consolidated statement of cash flows, 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$115,734 million as of December 31, 2009, HK$116,237 million as of December 31, 2010 and HK$86,778 million (US$11,126 million) as of December 31, 2011.

Net Cash From Operating Activities

Net cash from operating activities was HK$20,227 million in 2009, HK$29,867 million in 2010 and HK$39,060 million (US$5,008 million) in 2011.

Net cash from operating activities increased HK$9,640 million or 48%, in 2010 as compared to 2009, mainly due to an increase of HK$6,214 million in cash generated from the operating activities of Hutchison to HK$59,275 million, a decrease of HK$1,499 million in cash outflow for working capital requirements to HK$3,015 million and a decrease of HK$1,147 million in interest and other finance costs paid to HK$7,763 million.

Net cash from operating activities increased HK$9,193 million or 31%, in 2011 as compared to 2010, primarily due to an increase of HK$12,963 million in net cash inflow from change in working capital to HK$9,948 million (US$1,275 million) relating to the repayment of advances from HPH Trust upon its IPO during the first half of 2011 and an increase of HK$3,303 million in cash generated from the operating activities of Hutchison to HK$62,578 million (US$8,023 million), partially offset by an increase of HK$6,484 million in CACs to HK$22,497 million (US$2,884 million).

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 / de-recognition of subsidiaries, associates and JCEs and other investments. Net cash used in investing activities, net of proceeds received on disposals, resulted in an inflow of cash of HK$18,739 million in 2009, an outflow of HK$31,536 million in 2010 and an outflow of cash of HK$12,103 million (US$1,552 million) in 2011.

Net cash used in investing activities was HK$31,536 million in 2010, compared to a net cash inflow from investing activities of HK$18,739 million in 2009, primarily due to the cash used in the purchase of and advances to associates and JCEs of HK$16,056 million and an increase in purchase of fixed assets and investment properties of HK$2,631 million in 2010, combined with the effect of the cash inflow from repayments of associates and JCEs of HK$10,423 million in 2009 as compared to HK$1,203 million in 2010, proceeds on disposal of Hutchison's interest in Partner Communications of HK$10,660 million in 2009, and higher net proceeds on disposal of listed equity securities and managed funds totaling HK$8,633 million in 2009 as compared to a net payment of HK$704 million in 2010.

Net cash used in investing activities decreased HK$19,433 million or 62% in 2011, compared to 2010, mainly due to the proceeds on disposal / de-recognition of subsidiary companies of HK$35,609 million (US$4,565 million) and higher proceeds on disposal (net of additions) of managed funds of HK$4,896 million (US$628 million), partially offset by increased additions to telecommunications licenses of HK$5,547 million (US$711 million) and higher purchases of and advances to (including deposits from) associates and JCEs of HK$9,712 million (US$1,245 million) in 2011 as compared to HK$16,056 million in 2010.

(i) *Capital expenditure*

The following table sets forth Hutchison's capital expenditure by business divisions in 2009, 2010 and 2011.

Capital Expenditure

	Year Ended December 31,		
	2009	**2010**	**2011**
	HK$ million	**HK$ million**	**HK$ million**
Ports and related services	4,970	6,726	5,928
Hutchison Ports Group	4,451	5,735	5,788
HPH Trust / HPH Trust operations	519	991	140
Property and hotels	54	127	274
Retail	1,072	1,791	2,622
Cheung Kong Infrastructure	139	70	353
Husky Energy	—	—	—
Hutchison Telecommunications Hong Kong Holdings	1,111	1,136	2,745
Hutchison Asia Telecommunications	2,759	2,481	7,894
Telecommunications — Israeli operations	1,134	—	—
3 Group	8,259	9,894	10,980
Finance & investments and others	78	119	128
Total	19,576	22,344	30,924

(1) HPH Trust is presented as a separate operation within the Ports and related services segment following the completion of its spin-off and separate listing on the Main Board of the Singapore Stock Exchange in March 2011. HPH Trust holds Hutchison's interests in deep-water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports. Hutchison accounts for the retained interests in this former subsidiary as an investment in an associated company.

In 2009, Hutchison's total capital expenditure was HK$19,576 million. The ports and related services division incurred capital expenditure of HK$4,970 million mainly for expansion projects at PPC, HPUK, ECT, Vietnam and Yantian. The retail division incurred capital expenditure of HK$1,072 million mainly for store refits and new store openings in the health and beauty operations in Asia and luxury operations in Europe. HAT (excluding Israeli operation) incurred capital expenditure of HK$2,759 million mainly on network expansion in Indonesia and Vietnam. **3** Group incurred capital expenditure of HK$8,259 million mainly for network expansion and enhancements.

In 2010, Hutchison's total capital expenditure was HK$22,344 million. The ports and related services division incurred capital expenditure of HK$6,726 million mainly for the Felixstowe South expansion, PPC in Panama and Yantian Port. The retail division incurred capital expenditure of HK$1,791 million mainly for store fit-outs in the health and beauty operations in Asia, particularly in the Mainland. HTHKH incurred capital expenditure of HK$1,136 million mainly for the network modernization and expansion of both mobile and fixed-line businesses. HAT incurred capital expenditure of HK$2,481 million mainly on network expansion in Indonesia and Vietnam. **3** Group incurred capital expenditure of HK$9,894 million, mainly for network expansion, particularly in the UK, Italy and Scandinavia.

The increase in total capital expenditure in 2010 was HK$2,768 million, 14% higher than the total capital expenditure for 2009, primarily due to increased expenditure by ports and related services division and **3** Group.

In 2011, Hutchison's total capital expenditure was HK$30,924 million (US$3,965 million). The ports and related services division incurred capital expenditure of HK$5,928 million (US$760 million) mainly for PPC in Panama, Jakarta Ports and TERCAT in Barcelona. The retail division incurred capital expenditure of HK$2,622 million (US$336 million) mainly for store fit-outs in the health and beauty operations in the Mainland. HTHKH incurred capital expenditure of HK$2,745 million (US$352 million) mainly for the acquisition of a telecommunications license and network modernization and expansion of both mobile and fixed-line businesses. HAT incurred capital expenditure of HK$7,894 million (US$1,012 million) mainly on network expansion in Indonesia and Vietnam. The **3** Group incurred capital expenditure of HK$10,980 million (US$1,408 million) mainly for network expansion, particularly in Italy, the UK and Scandinavia, as well as the acquisition of a telecommunications license in Sweden.

The increase in total capital expenditure in 2011 was HK$8,580 million (US$1,100 million), 38% higher than the total capital expenditure for 2010, primarily due to higher expenditures by HTHKH, HAT and **3** Group.

In view of the current economic environment, Hutchison 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) *Repayments from associates and JCEs.*

In 2009, VHA repaid a shareholder loan of AUD800 million to Hutchison.

In 2010, there were no significant repayments from associates and JCEs.

In 2011, the repayments from associates and JCEs. were mainly from the property projects in the Mainland, and included loans repaid subsequent to the disposal of Hutchison's interest in an investment property to Hui Xian REIT.

(iii) *Purchase of and net advances (including deposits from) to associates and JCEs.*

In 2009, Hutchison received cash of HK$1,449 million, mainly the deposits received from property development projects in the Mainland.

In 2010, Hutchison used cash of HK$16,056 million, mainly for purchase of and advance to CKI's investment in an UK Power Networks, advances for the property development projects in the Mainland and subscription of Husky Energy's shares.

In 2011, Hutchison used cash of HK$25,768 million (US$3,304 million), mainly for purchase of UK Northumbrian Water, subscription of Husky Energy's shares, and advances to the property development projects in the Mainland.

(iv) *Proceeds on disposals / de-recognition of subsidiary companies*

In 2009, net proceeds of HK$15,892 million mainly related to the cash proceeds on disposal of Hutchison's interest in Partner Communications of HK$10,660 million and proceeds received by CKI on the disposal to Power Assets of its equity interest in three power plants in Zhuhai, the Mainland.

In 2010, there were no significant disposals of subsidiary companies.

In 2011, the proceeds of HK$35,609 million (US$4,565 million) on disposals / de-recognition of subsidiary companies were mainly from the IPO of HPH Trust.

Cash Flows from (used in) Financing Activities

Cash flows from financing activities consist mainly of new borrowings, repayment of borrowings, equity contributions and net loans from (to) non-controlling shareholders, payments to acquire additional interest in subsidiary companies, proceeds on issues or distributions to perpetual capital securities, as well as payment of dividends. Net cash flows from financing activities was a net cash outflow of HK$3,731 million in 2009, a cash inflow of HK$800 million in 2010 and a net cash outflow of HK$52,070 million (US$6,675 million) in 2011.

In 2009, there was a net increase of borrowings of HK$8,270 million, primarily due to increased external borrowings, partially offset by the repayment of debts as they matured and prepayment of certain debts and other notes.

In 2010, there was a net repayment of borrowings of HK$8,202 million due to the repayment of debts as they matured and also early repayment of certain debts, partially offset by new borrowings. Hutchison and CKI also issued perpetual capital securities of US$2,000 million and US$1,000 million, respectively. Payments to acquire additional interests in subsidiary companies of HK$4,727 million mainly comprised payment for the HTIL privatization.

In 2011, there was a net repayment of borrowings of HK$23,057 million (US$2,956 million) due to the repayment of debts as they matured and also early repayment of certain debts, partially offset by new borrowings. Dividends paid to non-controlling shareholders of HK$16,165 million (US$2,072 million) mainly comprised special dividend payments to the non-controlling shareholders of HPH relating to the IPO of HPH Trust.

Bank and Other Interest Bearing Borrowings

Hutchison's borrowings, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, unamortized loan facilities fees and premiums or discounts related to debts and unrealized gain on bank and other debts pursuant to interest rate swap contracts totaled HK$259,089 million as of December 31, 2009, HK$247,362 million as of December 31, 2010 and HK$213,854 million (US$27,417 million) as of December 31, 2011. The net decrease in borrowings in 2010 was primarily due to the repayment of debts as they matured and also early repayment of certain debts as well as the favorable effect of the translation of foreign currency denominated loans to Hong Kong dollars, partially offset by new borrowings. The net decrease in borrowings in 2011 was mainly due to the repayment of debts as they matured, early repayment of certain debts and the deconsolidation of loans from Hutchison's consolidated statement of financial position upon completion of the IPO of HPH Trust, partially offset by new borrowings.

In January 2012, Hutchison Whampoa International (11) Limited issued US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2017 and US$1,000 million (approximately HK$7,800 million) principal amount of Notes Due 2022 to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

In January 2012, **3** Italy early-repaid a syndicated bank loan of approximately €1,000 million (approximately HK$10,070 million).

In February 2012, Hutchison Whampoa International (11) Limited issued an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2017 and an additional US$500 million (approximately HK$3,900 million) principal amount of Notes Due 2022 to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

In February and March 2012, CKI raised approximately HK$2,291 million by issuing new perpetual capital securities of principal amount of US$300 million and approximately HK$2,307 million by issuing new shares respectively.

In March 2012, CKI issued 15-year, fixed rate notes with principal amount of Yen15,000 million (approximately HK$1,408 million) and repaid fixed rate notes with principal amount of Yen30,000 million (approximately HK$2,817 million) maturing in 2032.

As of December 31, 2011, approximately 29% of Hutchison's total borrowings were denominated in U.S. dollars, 22% in Hong Kong dollars, 33% in Euro, 9% in Pound Sterling and the remaining 7% in other currencies. As of December 31, 2011, approximately 13% of Hutchison's borrowings were repayable within 2012, 66% were repayable between 2013 and 2016 and 21% were repayable beyond 2017. Finance costs on Hutchison's borrowings was HK$9,613 million in 2009, HK$8,476 million in 2010 and HK$8,415 million (US$1,079 million) in 2011.

Hutchison's borrowings, excluding loans from non-controlling shareholders, unamortized loan facilities fees and premiums or discounts related to debts and unrealized gain on bank and other debts pursuant to interest rate swap contracts, and net of total cash, liquid funds and other listed investments, were HK$143,355 million as of December 31, 2009, HK$131,125 million as of December 31, 2010 and HK$127,076 million (US$16,291 million) as of December 31, 2011.

Security Interests

As of December 31, 2009, 2010 and 2011, assets of Hutchison totaling HK$2,503 million, HK$963 million and HK$524 million (US$67 million) respectively were pledged as security for bank and other debts.

Undrawn Borrowing Facilities

Committed borrowing facilities available to Hutchison but not drawn were HK$20,340 million as of December 31, 2009, HK$11,162 million as of December 31, 2010 and HK$7,242 million (US$928 million) as of December 31, 2011.

Off-Balance Sheet Arrangements

Hutchison entered into various interest rate agreements with major financial institutions to swap approximately HK$97,813 million principal amount as of December 31, 2009, HK$71,300 million principal amount as of December 31, 2010 and HK$70,988 million (US$9,101 million) principal amount as of December 31, 2011 of fixed rate borrowings to effectively become floating rate borrowings. In addition, a principal amount of HK$3,806 million as of December 31, 2009, HK$4,270 million as of December 31, 2010 and HK$3,996 million (US$512 million) as of December 31, 2011 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 and HK$28,593 million as of December 31, 2009, HK$28,593 million as of December 31, 2010 and HK$28,593 million (US$3,666 million) as of December 31, 2011 to Hong Kong 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 totaled HK$115,734 million as of December 31, 2009, HK$116,237 million as of December 31, 2010 and HK$86,778 million (US$11,126 million) as of December 31, 2011. As of December 31, 2009, cash represented 80% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed / traded debt securities 15%, listed equity securities 4% and long-term deposits and others of 1%. As of December 31, 2010, cash represented 79% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed / traded debt securities 15%, listed equity securities 5% and long-term deposits and others of 1%. As of December 31, 2011, cash represented 76% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed / traded debt securities 16%, listed equity securities 7% and long-term deposits and others less than 1%.

As of December 31, 2011, 6% of Hutchison's total cash, liquid funds and other listed investments were denominated in Hong Kong dollars, 48% in U.S. dollars, 19% in Renminbi, 8% in Euro, 5% in Pound Sterling and 14% 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, 2011 are set forth below. These obligations are reflected in Hutchison's consolidated statement of financial position as of December 31, 2011 and in notes 26, 28 and 29 to the consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum.

Current and Long-Term Liabilities

	As of December 31, 2011 Payment due by period		
	Total	Due within one year	Due after one year
	HK$ millions	HK$ millions	HK$ millions
Principal amount of bank loans, other loans, notes and bonds	213,854	28,867	184,987
Unamortized loan facilities fee and premiums or discounts related to debts and unrealized gain on bank and other debts pursuant to interest rate swap contracts	4,700	(32)	4,732
Interest bearing loans from non-controlling shareholders	6,502	—	6,502
Trade and other payables	78,093	78,093	—
Total	303,149	106,928	196,221

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

Debt Maturity Profile

	As of December 31, 2011
	HK$ millions
2012	28,867
2013	49,233
2014	14,014
2015	52,255
2016	26,042
2017 to 2021	24,892
2022 to 2031	6,333
2032 and thereafter	12,218
	213,854

The operating lease costs charged to the consolidated income statement for the year ended December 31, 2011 are shown in note 43 to the consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum. Hutchison's commitments for future payments pursuant to lease obligations signed as of December 31, 2011 are shown in note 37 to the consolidated financial statements for the year ended December 31, 2011 included elsewhere in this offering memorandum and are summarized as follows:

Operating Lease Commitments

	As of December 31, 2011 Future aggregate minimum lease payments due			
	Total	In the first year	In the second to fifth year	After the fifth year
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Land and Building	66,157	10,680	23,221	32,256
Other Assets	11,462	1,642	5,442	4,378
Total	77,619	12,322	28,663	36,634

Hutchison's capital commitments as of December 31, 2011 are summarized below. Contracted for commitments represent amounts payable pursuant to agreements signed as of December 31, 2011. 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, 2011	
	Contracted for	Authorized but not contracted for
	HK$ millions	HK$ millions
Container terminals	2,050	6,899
Telecommunications infrastructure		
- HAT & HTHKH	14,738	3,257
- **3** Group	953	10,779
Others	2,129	13,242
Total	19,870	34,177

Hutchison has provided guarantees as of December 31, 2011 as shown in note 36 to the consolidated financial statements as of December 31, 2011 included elsewhere in this offering memorandum, which are summarized as follows:

Contingent Liabilities

	As of December 31, 2011
	Total
	HK$ millions
Guarantees in respect of bank and other borrowing facilities for associated companies and jointly controlled entities	8,587
Performance and other guarantees	4,838
Total	13,425

Treasury Management

Hutchison's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by Hutchison's internal audit function. Hutchison's treasury policies are designed to mitigate the impact of fluctuation in interest rates and exchange rates on Hutchison's overall financial position 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 uses 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-Hong Kong 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 derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposures. Hutchison's main interest rate exposures relate to U.S. dollar, Pound Sterling, Euro and Hong Kong dollar borrowings.

At December 31, 2011, approximately 34% of Hutchison's total principal amount of bank and other debts were at floating rates and the remaining 66% were at fixed rates. Hutchison has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$70,988 million (US$9,101 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$3,996 million (US$512 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 66% of Hutchison's total principal amount of bank and other debts were at floating rates and the remaining 34% were at fixed rates at December 31, 2011.

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-Hong Kong dollar or non-U.S. dollar assets, Hutchison generally endeavors to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, 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 (such as major procurement contracts) 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. Hutchison generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During 2011, the currencies of certain countries where Hutchison has overseas operations, including the Euro, Pound Sterling, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealized gain of approximately HK$2,478 million (US$318 million) on translation of these operations' net assets to Hutchison's Hong Kong dollar reporting currency, including Hutchison's share of the translation gains and losses of associates and JCEs.

At December 31, 2011, Hutchison had currency swap arrangements with banks to swap U.S. dollar principal amount of borrowings equivalent to HK$28,593 million (US$3,666 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses.

Hutchison's total principal amount of bank and other debts, after the above swaps, as of December 31, 2011 are denominated as follows: 22% in Hong Kong dollars, 29% in U.S. dollars, 33% in Euro, 9% in Pound Sterling, and 7% in other currencies.

Credit Exposure

Hutchison'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 Hutchison to credit risk of counterparties. Hutchison controls its credit risk arising from 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 scale, "A-" on the S&P scale and "A-" on the Fitch scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. Currently, Hutchison's long-term credit ratings are "A3" from Moody's with negative outlook, "A-" from S&P with stable outlook and "A-" from Fitch with a stable outlook.

Market Price Risk

Hutchison's main market price risk exposures relate to listed/traded debt and equity securities described in "Operations — Finance & Investments" below and the interest rate swaps as described in "Interest Rate Exposure" above. Hutchison's holding of listed/traded debt and equity securities represented approximately 23% of its liquid funds and other listed investments as of December 31, 2011. Hutchison 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.

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. As of December 31, 2011, 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 SEHK. Hutchison operates six core business divisions in 53 countries: ports and related services; property and hotels; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations. Significant developments in Hutchison's business since December 31, 2011 are summarized below under "Recent Developments".

Based on the closing price of its shares on SEHK on March 31, 2012, Hutchison had a market capitalization of approximately HK$330,838 million (approximately US$42,415 million). Hutchison and its listed associated company, Power Assets, are two of the 46 constituent stocks of the Hang Seng Index in Hong Kong.

Hutchison's profit attributable to ordinary shareholders was HK$13,854 million, HK$20,179 million, and HK$56,019 million (US$7,182 million) for the years ended December 31, 2009, 2010 and 2011 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. Through its 80%-owned subsidiaries, Hutchison Port Holdings and Hutchison Ports Investments S.à r.l. (collectively "Hutchison Ports"), and its 27.6%-owned associate, HPH Trust (together with Hutchison Ports, collectively "Hutchison's ports and related services division"), Hutchison holds interests in 52 ports in 26 countries, including interests in container terminals operating in six of the 10 busiest container ports in the world in terms of container throughput. In 2009, 2010 and 2011, Hutchison's ports and related services division handled combined container throughput of 65.3 million, 75.0 million and 75.1 million TEUs, respectively. Hutchison has interests in various locations including:

- the Mainland, where Hutchison Ports holds interests in SCT (which ceased its container handling business since January 2011), SPICT, SMCT, NBCT, as well as other ports , and HPH Trust holds interests in YICT;
- Hong Kong, the third busiest container port in the world in 2011 in terms of container throughput, where Hutchison, through its associate HPH Trust, holds interests in 14 of the 24 available container berths through HIT and COSCO-HIT, a 50/50 joint venture between HIT and COSCO Pacific Limited, a subsidiary of China Ocean Shipping (Group) Company that is listed on SEHK;
- the Netherlands, where Hutchison Ports holds interests in ECT in Rotterdam and ACT in Amsterdam;

- the UK, where Hutchison Ports holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe, London Thamesport and Harwich International Port;
- Continental Europe, where Hutchison Ports holds interests in TERCAT in Spain, GCT in Poland, TCT) in Italy as well as the right to operate CTF in Sweden;
- Malaysia, where Hutchison Ports holds interests in KMT at Port Klang;
- Panama, where Hutchison Ports holds interests in PPC, which operates terminals at Cristobal and Balboa ports, located near each end of the Panama Canal;
- Indonesia, where Hutchison Ports holds interests in JICT and Koja Container Terminal;
- South Korea, where Hutchison Ports operates two terminals in Busan Port through HKT, and one terminal in Gwangyang Port through KIT;
- Mexico, where Hutchison Ports holds interests in 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;
- Saudi Arabia, where Hutchison Ports holds interests in IPS at Dammam;
- Thailand, where Hutchison Ports holds interests in TLT and HLT at Laem Chabang;
- the Bahamas, where Hutchison Ports holds interests in FCP on Grand Bahama Island;
- Pakistan, where Hutchison Ports holds interests in KICT and SAPT;
- Egypt, where Hutchison Ports holds interests in AICT, which operates terminals at Alexandria and El Dekheila Ports;
- Tanzania, where Hutchison Ports holds interests in TICT at Dar es Salaam;
- Argentina, where Hutchison Ports holds interests in BACTSSA;
- Oman, where Hutchison Ports holds interests in OICT at the Port of Sohar, Oman;
- Vietnam, where Hutchison Ports holds interests in SITV in Ba Ria Vung Tau Province, in southern Vietnam;
- Australia, where Hutchison Ports holds interests in BCT at the Port of Brisbane and SICTL at Port Botany; and
- The UAE, where Hutchison Ports holds interest in HAJT in Ajman.

The division also has interests in other ports and port development projects, ship repair, salvage and towage operations in Hong Kong and inland container depot operations in the Mainland, as well as air cargo handling services at the Hong Kong International Airport. The ports and related services division contributed 9% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 8% and 16% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Property and Hotels

Hutchison's property and hotels division:

- held, as of December 31, 2011, a rental portfolio of approximately 13.8 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 turnover 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, Japan and the UK. Hutchison has a current attributable landbank which can be developed into approximately 99 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 seven are managed by its 50%-owned hotel management joint venture.

The property and hotels division contributed 5% and 23% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 4% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

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 of December 31, 2011, AS Watson had 10,021 stores in 33 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 38% and 20% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 37% and 18% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Cheung Kong Infrastructure

As at December 31, 2011, Hutchison held an 81.53% 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, the UK, Australia, New Zealand, the UK and Canada. CKI's major interests are:

- a 38.87% interest in Power Assets, a listed company in Hong Kong that, through a wholly-owned subsidiary, Hongkong Electric, generates, transmits and is the sole distributor of electricity to Hong Kong Island and Lamma Island;

- together with Power Assets, a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in each of ETSA Utilities, the primary electricity distributor in the State of South Australia; (ii) Powercor, one of the largest electricity distributors in the State of Victoria; and (iii) CitiPower, another major electricity distributor in the State of Victoria;

- together with Power Assets, an 80% interest (CKI: 40%; Power Assets: 40%) in UK Power Networks, which owns, operates and manages three regulated electricity distribution networks in the UK that cover London, the South East of England and the East of England. UK Power Networks is also engaged in certain non-regulated electricity distribution businesses in the UK, including the distribution of electricity to a number of privately owned sites;

- a 40% interest in UK Water, which owns a 100% interest in Northumbrian Water, one of the 10 regulated water and sewerage companies in England and Wales, which operates in the water supply, sewerage and waste water industries in the UK. Northumbrian Water provides water and sewerage services to 2.7 million people in the North East of England and water services to 1.8 million people in the South East of England. In addition, Northumbrian Water's operations include a business comprising Kielder Reservoir, the largest man-made reservoir in Northern Europe, as well as a portfolio of long-term water and waste water contracts;

- together with Power Assets, an 88.35% interest (CKI: 47.06%; Power Assets: 41.29%) in Northern Gas, 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 Power Assets, a 100% interest (on a 50/50 basis) in Electricity First Limited, which owns a 50% interest in Seabank Power. Seabank Power owns and operates Seabank Power Station, which is located near Bristol, England and comprises two combined cycle gas turbine generating units with an aggregate capacity of approximately 1,140 MW;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Stanley Power, which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant in Saskatchewan, Canada with an installed capacity of 220 MW. TransAlta Cogeneration, L.P. owns interests in four natural gas-fired cogeneration plants in Alberta, Saskatchewan and Ontario, Canada and a coal-fired generation plant in Alberta;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Wellington Electricity, 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 4,602 kilometers;
- interests in joint ventures that own and operate approximately 400 kilometers of toll roads and bridges in the Mainland;
- various interests in an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland;
- 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 of over 453 square miles in South Cambridgeshire in the UK (operation was disposed of in August 2011);
- a 4.75% interest in Southern Water, a regulated business supplying water to more than one million households and waste water services to nearly two million households across Sussex, Kent, Hampshire and the Isle of Wight in the UK;
- an 8.53% 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;
- a 19.22% interest in Envestra Limited, one of the largest listed natural gas distribution company in Australia, which owns about 22,200 kilometers of natural gas distribution networks and 1,120 kilometers of transmission pipelines, serving over 1.1 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory; and
- a 49% interest in AquaTower in Victoria, Australia, the exclusive potable water supplier for four regional towns.

CKI contributed 6% and 22% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 8% and 26% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Husky Energy

As at April 2, 2012, Hutchison held a 33.90% 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 and production of heavy oil, bitumen, light crude oil, natural gas and natural gas liquids from assets located in Western Canada, the Atlantic region and offshore Mainland China and Indonesia;
- the midstream segment, which provides strategic support for the upstream business and comprises pipeline transportation, gas storage, cogeneration and the marketing of a wide range of petroleum-based products. The midstream assets are located throughout Western Canada and connect with major North American transportation systems; and

- the downstream segment, which provides strategic support for the upstream business through the upgrading and refining of crude oil and the marketing of gasoline, diesel, jet fuel, asphalt, ethanol and related products in Canada and the U.S.

Husky Energy contributed 14% and 8% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 16% and 17% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Telecommunications

Hutchison is a leading worldwide operator of mobile telecommunications networks. The telecommunications division currently consists of an approximate 65.02% interest in HTHKH which is listed on the main board of SEHK, HAT which consists of telecommunication operations in Indonesia, Vietnam and Sri Lanka (the Thailand operation was disposed of in January 2011) and **3** Group, comprising unlisted 3G businesses in various countries in Europe and an approximate 87.87% interest in HTAL which is listed on the ASX and has a 50% interest in VHA.

- HTHKH, which was listed on SEHK in May 2009, currently holds Hutchison's interests in 2G and 3G mobile operations in Hong Kong and Macau, as well as its fixed-line business in Hong Kong. HTHKH contributed 3% to both Hutchison's turnover and EBIT (each including share of associates and JCEs) in 2010, and 4% and 3% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

- HAT, a subsidiary of Hutchison, holds interests in 2G and 3G mobile operations in Indonesia and Vietnam, and 2G GSM mobile operations in Sri Lanka. This division contributed 1% of Hutchison's turnover (including share of associates and JCEs), whereas its LBIT of HK$2,688 million represented (7)% of Hutchison's EBIT (including share of associates and JCEs) in 2010. This division contributed 1% of Hutchison's turnover (including share of associates and JCEs), whereas its LBIT of HK$1,181 million represented (2)% of Hutchison's EBIT (including share of associates and JCEs) in 2011.

- **3** Group comprises 3G businesses in Italy, the UK, Sweden, Denmark, Austria and Ireland in Europe, offering 3G services under the brand name "**3**", and in Australia. As of March 28, 2012, including the 3G customers of HTHKH, Hutchison had over 31.6 million 3G customers worldwide.

  — In Italy, H3G S.p.A., the subsidiary of **3** Italia S.p.A. (together with H3G S.p.A. and its wholly-owned subsidiary **3** Lettronica S.p.A., "**3** Italia") serviced a customer base of over 9.2 million as of March 28, 2012.

  — In the UK, **3** UK serviced a customer base of over 8.2 million as of March 28, 2012.

  — In Sweden, Hi3G Access serviced a customer base of over 1.4 million as of March 28, 2012.

  — In Denmark, Hi3G Denmark, a wholly-owned subsidiary of Hi3G Access, serviced a customer base of over 807,000 as of March 28, 2012.

  — In Austria, Hutchison 3G Austria GmbH (together with its wholly-owned subsidiary Netco 3G GmbH, "**3** Austria") serviced a customer base of over 1.4 million as of March 28, 2012.

  — In Ireland, **3** Ireland serviced a customer base of over 843,000 as of March 28, 2012.

  — In Australia, HTAL has a 50% interest in VHA, which serviced an active customer base of over 6.9 million as of March 28, 2012.

3 Group contributed 20% and 8% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and contributed 19% and 3% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

Finance & Investments and others

Hutchison receives income from its finance & investments others 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 all of its subsidiaries, except for listed subsidiaries and certain overseas entities conducting businesses in non-Hong Kong or non-US dollar currencies. 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-Hong Kong 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 borne by the operating businesses.

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

- Hutchison China operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong, the UK and France, and also has an investment in Chi-Med, a currently 70.8%-owned subsidiary listed on the AIM) in the UK. Chi-Med is focused on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products;

- Hutchison has a 71.4% interest in HHR, a listed company in Hong Kong that holds certain investment properties in the Mainland;

- Hutchison has a 49% interest in a water desalination project in Israel that was granted a 26.5 year concession by the Israeli Government in 2009 to build and operate a water desalination plant in Sorek, Israel; and

- Hutchison has a 24.5% interest in TOM Group, a leading Chinese-language media group in the Mainland listed on SEHK. It has diverse business interests in five key areas: Internet, e-commerce, publishing, outdoor media, and television and entertainment.

This division contributed 3% and 2% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2010, and 3% and 1% of Hutchison's turnover and EBIT (each including share of associates and JCEs) respectively in 2011.

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

Hutchison Whampoa Limited

Ports and Related Services

HPH Trust
- HIT Terminals 4,6,7 and two berths at Container Terminal 9
- COSCO-HIT Terminal 8 East
- Yantian International Container Terminals
- Yantian International Container Terminals (Phase III)
- Shenzhen Yantian West Port Terminals

The Mainland and Hong Kong
- Shanghai Container Terminals
- Shanghai Pudong International Container Terminals
- Shanghai Mingdong Container Terminals
- Ningbo Beilun International Container Terminals
- Shantou International Container Terminals
- Xiamen International Container Terminals
- Xiamen Haicang International Container Terminals
- Huizhou Port Industrial Corporation
- Huizhou International Container Terminals
- Delta ports
  - Guangdong province – Jiuzhou, Gaolan, Nanhai and Jiangmen
- River Trade Terminal

Europe
- Port of Felixstowe (UK)
- London Thamesport (UK)
- Harwich (UK)
- Europe Container Terminals (The Netherlands, Germany and Belgium)
- Amsterdam Container Terminals (The Netherlands)
- Terminal Catalunya (Spain)
- Gdynia Container Terminal (Poland)
- Taranto Container Terminal (Italy)
- Container Terminal Frihamnen (Sweden)

Asia, Australia and Others
- Jakarta International Container Terminal (Indonesia)
- Koja Container Terminal (Indonesia)
- Westports Malaysia
- Hutchison Korea Terminals (South Korea)
- Korea International Terminals (South Korea)
- Thai Laemchabang Terminal (Thailand)
- Hutchison Laemchabang Terminal (Thailand)
- Karachi International Container Terminal (Pakistan)
- South Asia Pakistan Terminals (Pakistan)
- Saigon International Terminals Vietnam (Vietnam)
- International Ports Services (Saudi Arabia)
- Brisbane Container Terminals (Australia)
- Sydney International Container Terminals (Australia)
- Tanzania International Container Terminal Services (Tanzania)
- Alexandria International Container Terminals (Egypt)
- Oman International Container Terminal (Oman)
- Port facility at Thilawa (Myanmar)
- Hutchison International Ajman Terminals (UAE)
- Panama Ports Company (Panama)
- Internacional de Contenedores Asociados de Veracruz (Mexico)
- L.C. Terminal Portuaria de Contenedores (Mexico)
- Terminal Internacional de Manzanillo (Mexico)
- Ensenada International Terminal (Mexico)
- Freeport Container Port (Bahamas)
- Buenos Aires Container Terminal Services (Argentina)

Port Related Services

HPH Trust
- Asia Port Services operations
- Shenzhen Hutchison Inland Container Depots

The Mainland and Hong Kong
- Ship repair, salvage and towage operations
- Air cargo handling

Asi, Australia and Others
- Freeport Harbour Grand
- Bahama Airport

Mexico
- Ensenada Cruiseport Village
- Vessel, platform and maritime structure repair
- Terminal Intermodal Logistica de Hidalgo
- Zona de Actividades Logisticas Hidalgo

Telecommunications

Hutchison Telecommunications Hong Kong Holdings

Hong Kong
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- Fixed-line network operator
- Internet service provider

Macau
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)

Hutchison Asia Telecommunications

Indonesia
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)

Sri Lanka
- Mobile network operator (GSM)

Vietnam
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)

3 Group

Italy
- 3G mobile network operator (UMTS)

UK
- 3G mobile network operator (UMTS)

Ireland
- 3G mobile network operator (UMTS)

Australia
- 3G mobile network operator (UMTS)
- Mobile operator (GSM)

Sweden
- 3G mobile network operator (UMTS)

Denmark
- 3G mobile network operator (UMTS)

Austria
- 3G mobile network operator (UMTS)

Property and Hotels

Hong Kong
- Rental Property
  - Office
  - Commercial
  - Industrial
  - Residential
- Development property
  - Residential
- Hotels

The Mainland
- Rental Property
  - Office
  - Commercial
  - Residential
- Development property
  - Residential
  - Commercial
  - Office
- Hotels

United Kingdom
- Development property
  - Commercial
  - Residential

Singapore
- Development property
  - Office
  - Commercial
  - Residential

The Bahamas
- Hotel Resort

Retail

Hong Kong and Macau
- PARKnSHOP (supermarkets)
- Watson's Wine (wine stores)
- Watsons (health and beauty stores)
- Fortress (consumer electrical goods stores)
- Nuance-Watson (airport retail concessions outlets)
- Manufacturing and distribution of water, soft drinks and fruit juices

The Mainland
- PARKnSHOP (hypermarkets)
- Watsons (health and beauty stores)
- Manufacturing and distribution of water, soft drinks and fruit juices
- Nuance-Watson (airport retail concessions outlets)

Asia
- Watsons (health and beauty stores) in Taiwan, Singapore, Malaysia, Thailand, Philippines, South Korea and Indonesia
- Nuance-Watson (airport retail concessions outlets) in Singapore

UK and Western Europe
- Superdrug (health and beauty stores) in the UK and Republic of Ireland
- Savers (health and beauty stores) in the UK
- Kruidvat (health and beauty stores) in the Netherlands and Belgium
- Trekpleister (health and beauty stores) in the Netherlands
- Rossmann (health and beauty stores) in Germany
- ICI Paris XL (perfumeries) in the Netherlands, Belgium and Luxembourg
- Marionnaud (perfumeries) in France, Switzerland, Austria, Italy, Spain and Portugal
- The Perfume Shop (perfumeries) in the UK and Republic of Ireland
- Badaracco (wine wholesaler/distributor) in Switzerland

Other European countries
- Rossmann (health and beauty stores) in Poland, Hungary and Czech Republic
- Drogas (health and beauty stores) in Latvia and Lithuania
- Spektr (health and beauty stores) in Russia
- Watsons (health and beauty stores) in Turkey and Ukraine
- Marionnaud (perfumeries) in Czech Republic, Hungary, Poland, Romania and Slovakia

Cheung Kong Infrastructure

Hong Kong
- Hongkong Electric (sole supplier of electricity to Hong Kong Island and Lamma Island)
- Cement, concrete and asphalt production

The Mainland
- Toll roads and bridges
- Cement production
- Power plants*
- Wind farms*

Australia
- Electricity distribution**
- Gas distribution
- Water plant

UK
- Electricity distribution **
- Gas distribution**
- Power plant**
- Water plants
- Waste water services

Canada
- Power plants**

New Zealand
- Electricity distribution**

The Philippines
- Limestone quarry

Thailand
- Power plants*

* indirectly owned via Power Assets
** jointly owned with Power Assets

Husky Energy

Upstream Segment

Canada
- Exploration, development and production of crude oil, bitumen and natural gas

U.S.
- Exploration, development and production of crude oil and natural gas

Asia
- Offshore exploration, development and production of crude oil and natural gas

Midstream Segment

Canada
- Pipeline transportation, gas storage, cogeneration and commodity marketing

Downstream Segment

Canada
- Upgrading of heavy oil
- Refining, marketing and distribution of gasoline, diesel, asphalt and ethanol

U.S.
- Refining and marketing gasoline and diesel fuels

Finance & Investments

Treasury operation and liquidity management activities

Others

- Traditional Chinese medicine research and development
- Marketing and distribution of traditional Chinese medicine and related products
- Manufacturing and distribution of consumer detergent products
- Marketing and distribution of natural and organic consumer products

Recent Developments

Cheung Kong Infrastructure

- In February and March 2012, CKI raised approximately HK$2,291 million by issuing new perpetual capital securities of principal amount of US$300 million and approximately HK$2,307 million by issuing new shares. Following these issues, Hutchison's interest in CKI reduced from 81.53% to 79.79% (which excludes the shares issued to and held by the fiduciary in connection with the issue of new perpetual capital securities in February 2012).

- In March 2012, CKI issued 15-year, fixed rate notes with principal amount of Yen15,000 million (approximately HK$1,408 million) and repaid fixed rate notes with principal amount of Yen30,000 million (approximately HK$2,817 million) maturing in 2032.

Husky Energy

- In April 2012, Husky Energy released its unaudited results for the first three months of 2012, with reported net earnings of C$591 million (C$0.60 per share, diluted) compared with C$626 million (C$0.70 per share, diluted) for the same period in 2011. Excluding the after-tax gain and related tax, net earnings increased 22% on a normalized basis compared to 2011. Cash flow from operating activities for the first three months of 2012 (before settlement of asset retirement obligations of C$33 million, income taxes paid of C$199 million, interest received of C$11 million, and change in non-cash working capital of C$532 million) was C$1,172 million (C$1.20 per share, diluted), compared with cash flow from operating activities for the same period in 2010 (before settlement of asset retirement obligations of C$23 million, income taxes paid of C$21 million and change in non-cash working capital of C$163 million) of C$1,164 million (C$1.30 per share, diluted). Taking into consideration the effect of the aforementioned settlement of asset retirement obligations, change in non-cash working capital, income taxes paid and interest received, cash flow from operating activities for the first three months of 2012 was C$1,483 million, compared with cash flow from operating activities for the same period in 2011 of C$1,283 million. Production for the first three months of 2012 averaged 319,900 barrels of oil equivalent per day, compared with 310,400 barrels of oil equivalent per day for the same period in 2011. Crude oil and natural gas liquids production was 221,900 barrels per day in the first three months of 2012 compared with 213,200 barrels per day for the same period in 2011. Natural gas production was 588.3 million cubic feet per day in the first three months of 2012 compared with 583.3 million cubic feet per day in the same period in 2011.

- In April 2012, Husky Energy announced that its board of directors had approved a quarterly dividend of C$0.30 per share on its common shares for the three-month period ended March 31, 2012. The dividend will be payable on July 3, 2012 to shareholders of record at the close of business on May 22, 2012.

Telecommunications

- **3** Austria, a wholly-owned subsidiary of Hutchison, entered into a binding agreement to acquire 100% interest in Orange Austria and the simultaneous onward sale of the Yesss! brand and certain other assets to Telekom Austria Group. The net consideration payable by **3** Austria for Orange Austria after the sale of Yesss! and other assets will be €0.9 billion. The completion of the acquisition and onward sale will be subject to, among others, the approval by the relevant regulatory and antitrust authorities. The completion of both the acquisition and the onward sale will in each case be inter-conditional on and simultaneous with completion of the other.

Finance & Investments and others

- In January 2012, US$500 million (approximately HK$3,900 million) principal amount of the Notes Due 2017 and US$1,000 million (approximately HK$7,800 million) principal amount of the Notes Due 2022 were issued to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

- In January 2012, **3** Italy repaid a syndicated bank loan of approximately €1,000 million (approximately HK$10,070 million).
- In February 2012, US$500 million (approximately HK$3,900 million) principal amount of each of the Notes Due 2017 and Note Due 2022 were issued to refinance certain existing indebtedness and to the extent not so used, for general corporate purposes.

BUSINESS STRATEGY

In the current global economic environment, Hutchison is focused on maintaining financial discipline and the strength of its financial position 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, property, retail, infrastructure, energy and telecommunications 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, 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 optimise 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 maximise 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 earnings growth.
- The property and hotels division plans to continue to own and develop property, 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 build its leading market position by expanding its businesses through organic growth with new store openings mainly in markets with high growth potential. 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 Power Assets is well-positioned for expansion by investing in projects outside Hong Kong.
- Husky Energy's strategy is to maintain production in its foundation of heavy oil in Western Canada, and reposition these areas to resource play and thermal development, while advancing its three major growth pillars in the Asia Pacific region, the Atlantic region, and the oil sands. Husky Energy seeks to operate and maintain midstream and downstream assets which provide specialised support and value to its upstream assets. Husky Energy is also focused on maximising the efficiency of its midstream and downstream operations and extracting the greatest value from production by focusing on supporting heavy oil and oil sands production and making prudent reinvestments.

- HTHKH's strategy for its mobile business is to increase and diversify revenue and profitability by offering existing and potential customers a wide range of telecommunications services, from voice-driven services to ultra high-speed information communications technology services. HTHKH's strategy for its fixed-line business is to expand its market share in the carrier, corporate and business segments, both locally and overseas as well as its market share in the local consumer segment by leveraging its extensive fibre-to-the-building network.
- Hutchison also aims to organically grow and diversify its revenue and profitability by strengthening the competitive position and efficiency of its existing telecommunication businesses in Indonesia, Vietnam and Sri Lanka.
- Hutchison intends to continue to grow its existing **3** Group businesses in Europe and Australia and remain profitable and grow profitability 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 Ports") and its 27.6%-owned associated company, HPH Trust (together with Hutchison Ports, "Hutchison's ports and related services division"), Hutchison has interests in container terminals operating in six of the 10 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 65.3 million, 75.0 million and 75.1 million TEUs in 2009, 2010 and 2011, respectively. Hutchison has interests in 52 ports in 26 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, the UAE, 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 March 2011, Hutchison completed the IPO of units in HPH Trust, which was listed on the Main Board of the SGX-ST.

Hong Kong was the third busiest container port in the world in 2011 with throughput of approximately 24.4 million TEUs. Hutchison, through its associate HPH Trust, holds interests in 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 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 Shanghai, Ningbo, Xiamen and Southern China, and through its associate HPH Trust, Yantian Port.

In Europe, Hutchison Ports has interests in container terminals in the UK, the Netherlands, Belgium, Germany, Spain, Poland, Italy and Sweden. Hutchison Ports owns and operates Felixstowe, the largest container facility in the UK. Hutchison Ports also owns London Thamesport and Harwich ports in the UK. Hutchison's Ports holds a majority equity interest in ECT in Rotterdam, the largest container operator in Europe. Hutchison Ports acquired a majority equity interest in GCT in Poland in January 2005 and the container terminal commenced operations in 2006. In August 2006, Hutchison Ports 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, extendable to 35 years, to build and operate a new seven-berth container terminal, Prat Pier Container Terminal, at the Port of Barcelona, Spain. The terminal is being developed in two phases, the first of which will open in 2012. In December 2008, Hutchison Ports 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 December 2008, Hutchison Ports obtained the right to operate CTF, Sweden and to develop new container-handling facilities at the Port of Nynäshamn, Sweden.

Hutchison Ports currently holds interests in port operations in Brisbane and Sydney, Australia. In January 2008, Hutchison Ports announced that it signed an agreement with Port of Brisbane Corporation to develop and operate a container terminals at Berths 11 and 12 in the Port of Brisbane, Queensland, Australia. The development of Berths 11 and 12 is progressing and operations of Berth 11 are expected to commence in 2012 and Berth 12 in 2014. In December 2009, Hutchison Ports also signed an agreement with Sydney Ports Corporation to develop and operate the third container terminal at Port Botany, New South Wales, Australia. This new 4-berth container terminal will be leased for 30 years. The development of this facility is progressing, which reflects the expected demand and market conditions, and it is expected to commence operations in the first quarter of 2013.

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. In addition, through its interests in Shanghai, Ningbo, Huizhou, and Delta ports and, through its associate HPH Trust, Yantian Port, 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 one terminal in Gwangyang Port, South Korea's second largest deep-water port. Shipping customers focus on turnaround time at ports in order to minimise 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 maximise 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 for the years indicated:

Container Throughput[(1)]

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	44,890.9	51,273.7	50,546.4
Transshipment	20,412.0	23,742.4	24,571.2
Total	65,302.9	75,016.1	75,117.6
HPH Trust / HPH Trust operations	18,943.6	22,163.3	22,872.8
The Mainland and Hong Kong	13,793.5	15,480.7	11,907.8
Europe	13,229.3	14,766.7	15,274.9
Asia, Australia and Others	19,336.5	22,605.4	25,062.1
Total	65,302.9	75,016.1	75,117.6

(1) The published statistics from the Hong Kong Marine Department are not directly comparable to throughput figures of HIT and COSCO-HIT shown here for Hong Kong. HIT and COSCO-HIT figures included volume in relation to lighterwork, etc. for the figures to be more comparable to statistics used by the industry.

HPH Trust/HPH Trust Operations

Yantian Port

HPH Trust has a 56.4% 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 commenced operations in mid-1994 and is located in Da Peng Bay, three kilometers from the Hong Kong border. Phases I and II of Yantian Port provide 130 hectares of yard space, five container berths and one barge berth. Yantian International Container Terminals (Phase III) Limited, in which HPH Trust holds a 51.6% interest, was formed to develop terminal facilities at Phase III and Phase III expansion of Yantian Port. Together they provide a total yard space of 226 hectares and 10 container berths. The first berth commenced operations in October 2003 and the entire Phase III expansion was completed in 2011. Yantian Port handled throughput of 10.3 million TEUs in 2011, an increase of 1% over 2010.

HPH Trust holds a 51.6% interest in Shenzhen Yantian West Port Terminals Limited. The principal activities of this joint-venture company are the development, operation and management of berthing terminals 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 and the extension of one of the container berths of West Port Phase I. Upon completion, West Port Phase I and II will provide a total yard space of 61 hectares, four container berths and two barge berths. In December 2008, Hutchison signed a non-binding 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 at Yantian Port which will consist of four deep-water container berths with estimated land area of 1.4 million square meters.

Hongkong International Terminals Limited

HPH Trust holds a 100% interest in HIT, a company incorporated in 1974 that is the foundation on which Hutchison's ports and related services 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 2011, 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 12 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 2011, approximately 11.7 million TEUs passed through the 14 berths operated by HIT and COSCO-HIT, an increase of 6% over 2010. 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.

Ports in the Mainland and Hong Kong

Shanghai Ports

Shanghai was the busiest port in the world in terms of container throughput in 2011. Hutchison Ports' interests in Shanghai ports includes interests in SCT, SPICT and SMCT. Hutchison's Shanghai ports, comprising 17 container berths, handled 5.5 million TEUs in 2011, a decrease of 40% from 2010. The decrease was mainly due to SCT ceasing the container handling business from January 1, 2011. Excluding the impact of the cessation of SCT's container handling business, underlying throughput reported a decrease of 6% from 2010.

The following table summarizes the combined container throughput of Hutchison's Shanghai ports for the years indicated:

Shanghai Ports Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	5,535.3	6,088.2	4,148.6
Transshipment	2,703.1	2,973.2	1,301.9
Total	8,238.4	9,061.4	5,450.5

Shanghai Container Terminals Limited. Hutchison Ports 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 owns three terminals at Zhanghuabang, Jungonglu and Baoshan, comprising 10 container berths. SCT ceased its container handling business from January 1, 2011. Zhanghuabang and Jungonglu terminals are rented to Shanghai International Port (Group) Co. Ltd. for handling domestic cargoes.

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

Shanghai Mingdong Container Terminals Limited. Hutchison Ports 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 operations in December 2005.

Yangshan Phase II Terminal. In December 2005, Hutchison Ports 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.

Others

Ningbo Beilun International Container Terminals Limited. Hutchison Ports holds a 49% interest in NBCT which operates Phase II at Ningbo Beilun Port, a natural deep-water port. The facility is situated on 76.2 hectares of land and is equipped with three container berths. The joint venture company handled 2.0 million TEUs in 2011, 2% below 2010.

Hutchison Delta Ports Limited ("Delta Ports"). Delta Ports, a wholly-owned subsidiary of Hutchison Ports, holds and manages Hutchison Ports' 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, of which Hutchison's economic interest in the three River Ports (Jiangmen Terminal, Nanhai Terminal and Zhuhai Jinzhou Terminal) in Southern China were assigned to HPH Trust prior to its IPO, but the division retains the legal interest in these operations. 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 2.3 million TEUs in 2011, a decrease of 3% in container throughput from 2010, and 7.8 million tons of non-containerised cargo in 2011, an increase of 13% in non-containerised cargo throughput over 2010.

Hutchison Ports also invested in the expansion of Zhuhai International Container Terminals in Gaolan, and constructed two container berths with total quay length of 824 meters and a depth alongside of 14.2 meters. Operations commenced in December 2010.

Huizhou Port Industrial Corporation Limited ("HPIC"). In January 2006, Hutchison Ports acquired a 33.59% interest in HPIC. It is a multi-purpose terminal with five oil and gas berths, three non-containerised cargo berths and one feeder container berth. HPIC handled 91,900 TEUs and 5.3 million tons of oil and gas and other non-containerised cargo in 2011.

Huizhou International Container Terminals Limited ("HICT"). In July 2009, Hutchison Ports set up a new joint venture for the construction of two new 50,000-ton container berths in Huizhou. Hutchison Ports holds an 80% interest in the new joint venture facility. HICT 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. Operations of the first berth is targeted for mid 2012 and second berth in mid 2013.

River Trade Terminal Co. Ltd. Hutchison Ports has a 50% equity interest in River Trade Terminal Co. Ltd. ("RTT") which operates a fully operational 65-hectare river trade terminal with 49 barge berths at Tuen Mun, Hong Kong. RTT handled throughput of approximately 2.0 million TEUs in 2011, an increase of 6% over 2010.

Ports in Europe

The Netherlands, Germany and Belgium

Europe Container Terminals. Hutchison Ports has a 93.5% equity interest in ECT in Rotterdam, the Netherlands. Through ECT, Hutchison Ports has an 89.37% equity interest in ECT Delta Terminal B.V. and 93.5% equity interest in ECT Home Terminal B.V. as well as in Euromax Terminal Rotterdam B.V. ("Euromax Terminal") in Rotterdam, the Netherlands. Rotterdam was the tenth largest port in the world in terms of throughput in 2011. ECT is one of the largest container operators in Europe in terms of container throughput, operating three deep-sea container terminals with fourteen container berths. ECT also has equity interests in inland facilities in the ports of Venlo and Moerdijk in the Netherlands, Duisburg in Germany and Willebroek in Belgium.

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 Terminal. Phase I of the Euromax Terminal has an area of 84.0 hectares, a quay length of 1,500 meters and a depth alongside of 16.65 meters. As of June 2010, the Euromax Terminal completed the testing phase and began commercial operations.

In April 2010, ECT acquired a 50% interest in Moerdijk Container Terminal BV ("MCT") in Moerdijk, located in the hinterland market of the ECT terminals in Rotterdam.

Amsterdam Container Terminals B.V. In December 2008, Hutchison Ports and Nippon Yusen Kabushiki Kaisha ("NYK") signed a share-swapping agreement through which Hutchison Ports 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. The results of ACT have been adversely affected by the downturn of the global economy and the impact of the worldwide decrease in cargo traffic. In 2009, the terminal lost a significant part of its throughput that it built up only a couple of years before. To date, the terminal has no deep-sea volume left and is executing a reorganization process.

The ports in the Netherlands, Germany and Belgium handled a combined throughput of 9.7 million TEUs in 2011, an increase of 5% over 2010.

The following table summarizes the combined container throughput with respect to ECT and ACT for the years indicated:

Netherlands, Germany and Belgium Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	5,553.5	6,373.2	6,460.7
Transshipment	2,317.3	2,841.5	3,221.0
Total	7,870.8	9,214.7	9,681.7

UK

Hutchison's UK port operations consist of Port of Felixstowe Limited, Thamesport (London) Limited and Harwich International (Holdings) Limited with 13 container berths. Hutchison's UK ports handled 3.7 million TEUs in 2011, a decrease of 2% from 2010. Port of Felixstowe Limited and Thamesport (London) Limited together handled approximately 48% of the UK container throughput in 2010.

Port of Felixstowe Limited. Hutchison Ports has a 100% equity interest in Port of Felixstowe Limited ("Felixstowe"), the largest container facility in the UK. Felixstowe's terminals include: Trinity, which can berth seven deep-sea container ships at any one time and Dooley, primarily a roll-on/roll-off facility. Phase I of its Felixstowe South expansion scheme (berths 8 and 9) commenced operations in September 2011. These berths comprise 730 meters of deep-water container quay and related infrastructure and are able to handle the largest container vessels.

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

Harwich International (Holdings) Limited. Hutchison Ports has a 100% equity interest in Harwich International (Holdings) Limited, 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,		
	2009	**2010**	**2011**
(in thousands of TEUs)			
Local	3,094.7	3,385.4	3,307.9
Transshipment	439.3	424.1	429.1
Total	3,534.0	3,809.5	3,737.0

Spain

Terminal Catalunya S.A. Hutchison Ports has a 100% equity interest in TERCAT, which currently operates a four-berth facility. The Barcelona Port Authority has awarded TERCAT with a 30-year concession, extendable to 35 years, to build and operate a new seven-berth container terminal, Prat Pier Container Terminal, at the Port of Barcelona, Spain. This new terminal is being developed in two phases and the first three of the five berths in the first phase will open in 2012. TERCAT handled 969,800 TEUs in 2011, an increase of 5% over 2010. Hutchison's ports and related services division increased its equity interest in TERCAT from 70% to 90% in October 2010 and further increased this to 100% in March 2011.

Italy

Taranto Container Terminal S.p.A. Since completion, Hutchison Ports has held a 50% interest in TCTI in Italy, which 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 concession expires in 2058. TCTI handled 612,600 TEUs in 2011, an increase of 4% over 2010.

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 containerised cargo is handled. Hutchison Ports has an 99.15% interest in GCT at the Port of Gdynia. Throughput of the Phase I container terminal was 245,800 TEUs in 2011, an increase of 23% over 2010.

Sweden

Container Terminal Frihamnen. In December 2008, the Ports of Stockholm and Hutchison Ports signed two agreements. The first agreement grants the ports and related services division the right to operate CTF for 10 years from March 1, 2009. The second agreement permits the ports and related services 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 CTF will terminate early if the new facilities are completed before the 10-year term expires.

Ports in Asia, Australia and others

Malaysia

Westports Malaysia. Hutchison Ports has a 31.5% equity interest in Westports 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 11 container berths and handled 6.4 million TEUs in 2011, an increase of 15% over 2010. To cope with expansion, an additional berth will commence operation in 2012.

Malaysia Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	1,238.3	1,514.7	1,718.6
Transshipment	3,213.4	4,051.9	4,685.8
Total	4,451.7	5,566.6	6,404.4

Panama

Panama Ports Company. Hutchison Ports 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 10 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 U.S., and the west and east coasts of Central and South America and the Caribbean. Cristobal and Balboa handled 4.2 million TEUs in 2011, an increase of 22% over 2010. Further capacity expansion at Balboa and Cristobal is underway.

PPC Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	310.1	310.5	347.4
Transshipment	2,056.6	3,137.0	3,865.6
Total	2,366.7	3,447.5	4,213.0

Indonesia

Jakarta International Container Terminal. Hutchison Ports has a 51% interest in JICT, located at Tanjung Priok Port in Jakarta. JICT is the largest port operator in Indonesia with eight berths. The expansion of JICT's facilities is progressing and is expected to deliver improvement in service levels that will benefit port users.

Koja Container Terminal. Hutchison Ports 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 3.1 million TEUs in 2011, an increase of 9% over 2010.

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

Indonesia Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	2,227.0	2,747.2	3,012.1
Transshipment	69.0	102.9	107.2
Total	2,296.0	2,850.1	3,119.3

South Korea

Hutchison Korea Terminals. Hutchison Ports holds interests in two terminals in Busan Port, the world's fifth largest container port in terms of throughput in 2011. The two terminals have five container berths.

Korea International Terminals. Hutchison Ports 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.

The combined throughput handled by HKT and KIT in South Korea was 2.3 million TEUs in 2011, a decrease of 6% from 2010.

The following table summarizes the combined container throughput with respect to HKT and KIT for the years indicated:

South Korea Container Throughput

	Year Ended December 31,		
	2009	2010	2011
(in thousands of TEUs)			
Local	1,892.7	1,680.8	1,599.4
Transshipment	1,010.0	783.1	718.1
Total	2,902.7	2,463.9	2,317.5

Mexico

Hutchison's Mexico port operations consist of operations in Veracruz, Lazaro Cardenas, Ensenada and Manzanillo. The Mexico ports handled combined throughput of 2.1 million TEUs in 2011, an increase of 9% over 2010.

Internacional de Contenedores Asociados de Veracruz. Hutchison Ports 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. Hutchison Ports has a 100% 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 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 a new terminal at a 85-hectare deep-water greenfield site. LCT's new terminal Phase I development was substantially completed in 2009. The development of Phase II, including the construction of an additional 330 meters of berth, was substantially completed at the end of 2011. The other phases of this terminal will be completed according to demand.

Ensenada International Terminal. Hutchison Ports 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.

Saudi Arabia

International Ports Services. Hutchison Ports has a 51% interest in IPS, which operates at the Port of Dammam in Saudi Arabia with six container berths. IPS handled 1.6 million TEUs in 2011, an increase of 13% over 2010.

Thailand

Thai Laemchabang Terminal. Hutchison Ports 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. Hutchison Ports has an 80% interest in HLT. Hutchison has construction, management and operation rights over an 11-berth facility and 141 hectares of land in Laem Chabang port for 30 years, with an option to renew for two further 10-year periods. Three of the total six terminals are now in operation with the remaining terminals expected to commence operations in phases by 2013.

The terminals in Laem Chabang handled combined throughput of 1.5 million TEUs in 2011, an increase of 19% over 2010.

The Bahamas

Freeport Container Port Limited. Hutchison Ports has a 51% interest in FCP on Grand Bahama Island in the Bahamas. 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 U.S. and is strategically located between Europe, North and South America and the Panama Canal. FCP handled 1.1 million TEUs in 2011, a decrease of 1% from 2010.

Pakistan

Karachi International Container Terminal. Hutchison Ports has a 100% equity interest in KICT, which is one of the container terminal operators at the Port of Karachi in Pakistan with a concession period to February 2030. KICT operates three container berths and handled 868,400 TEUs in 2011, an increase of 1% over 2010.

South Asia Pakistan Terminals. Hutchison Ports has a 90% equity interest in SAPT. This is a new port with a concession period of 25 years, extendable for another 25 years. The new container terminal is expected to be operational by the first quarter of 2014, giving the terminal increased flexibility in terms of operational and cost efficiencies. Upon completion, SAPT will have four berths with a total quay length of 1,500 meters, a yard area of up to 85 hectares and depth alongside up to 18 meters. Situated at the estuary of the Keamari Groyne basin, the new terminal will provide convenient access to ships entering Karachi.

Egypt

Alexandria International Container Terminals. Hutchison Ports has a 50% interest in two terminals at Alexandria Port and El Dekheila Port (16 kilometers west of Alexandria Port). Both terminals are located within the Port of Alexandria, which is the major hinterland port in Egypt. AICT is developing these terminals into modern container handling facilities. The facilities of the two terminals at Alexandria and El Dekheila commenced operations in March and June 2007 respectively. AICT handled 583,000 TEUs in 2011, an increase of 7% over 2010.

Tanzania

Tanzania International Container Terminal Services. Hutchison Ports has a 70% interest in TICT , which 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 365,800 TEUs in 2011, an increase of 7% over 2010.

Argentina

Buenos Aires Container Terminal Services. Hutchison Ports has a 100% equity interest in 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 362,000 TEUs in 2011, an increase of 18% over 2010.

Oman

Oman International Container Terminal. Hutchison Ports has a 65% interest in a container terminal in the Port of Sohar in the Sultanate of Oman. The Port of Sohar is located outside the Strait of Hormuz in the Gulf of Oman, approximately 200 kilometers from Muscat and 160 kilometers from Dubai. OICT has been formed by Hutchison Ports together with the Government of the Sultanate of Oman, Steinweg of the Netherlands and a number of other well-established Omani investors. The terminal currently has a quay length of 520 meters and a depth alongside of 16 meters.

Vietnam

Saigon International Terminals Vietnam. Hutchison Ports has a 70% interest in SITV, which was established in February 2007 for the 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 to 2056 and commenced commercial operations in August 2010.

UAE

Hutchison International Ajman Terminals. In October 2011, Hutchison was granted a 10-year concession period to develop and operate Ajman Port in the UAE . The Port lies 25 kilometers from Dubai and 10 kilometers from Sharjah, where most of the UAE's manufacturing and trading companies are located, making it a strategic port to capture cargo coming from and destined for South East Asia, South America and Australia. The main container and general cargo berths of the terminal have a total quay length of 1,250 meters and a yard area of 12.9 hectares.

Myanmar

Myanmar International Terminals Thilawa ("MITT"). Hutchison Ports has a 100% interest in MITT which has a long-term concession to operate the container port facility at Thilawa (Yangon), Myanmar, with five container berths.

Australia

Brisbane Container Terminals and Sydney International Container Terminals. The development of new terminals in Brisbane and Sydney in Australia are progressing in accordance with plans and timetables which reflect expected demand and market conditions. The Greenfield port at Brisbane will commence operation in the fourth quarter of 2012, and two berths at Sydney are expected to come into operation in 2013.

Port Related Services

Hutchison Ports owns 50% interest in Hongkong United Dockyards Limited ("HUD"). HUD provides both marine and land engineering services from its floating docks and workshop complex. In addition to ship maintenance and repair, HUD is a leading contractor for steelwork, mechanical and electrical engineering, and industrial and heavy engineering. HUD is the largest tug operator in Hong Kong, deploying 13 tugs.

Its services include harbor towage, off-shore towage, salvage, as well as tug design, supervision and consultancy. It also operates six container vessels on long-term contract to transport refuse for the Hong Kong Government.

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

Hutchison Ports has a 96.7% equity interest in Terminal Intermodal Logistica de Hidalgo, S.A.P.I. de C.V. ("TILH"), which will operate an intermodal terminal in the Mexican State of Hidalgo, strategically situated near Mexico City. TILH will commence operations in 2012.

Hutchison Ports has a 20% equity interest in Zona de Actividades Logisticas Hidalgo, S.A.P.I.de C.V., which plans to develop a logistic zone adjacent to the TILH's Intermodal Terminal.

Hutchison Ports has a 20.83% interest in Hong Kong Air Cargo Terminals Ltd in Hong Kong, which provides air cargo handling services to airlines at Hong Kong International Airport. In May 2010, Hutchison Ports increased its shareholding in Hong Kong Air Cargo Terminals Ltd from 12.5% to 20.83%.

HPH Trust (Hutchison's 27.6%-owned associated company) 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 951,400 TEUs in 2011, a decrease of 4% from 2010.

HPH Trust has a 77.8% interest in Shenzhen Hutchison Inland Container Depots Co., Ltd., which operates 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.

Property and Hotels

As of December 31, 2011, Hutchison maintained a portfolio of approximately 13.8 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 rental income from Hutchison's investment properties were HK$3,787 million in 2009, HK$3,949 million in 2010 and HK$3,859 million (US$495 million) in 2011. The gross rental income in 2011 represented an 8% yield based on the carrying value of Hutchison's rental property portfolio of approximately HK$48,000 million (US$6,154 million) as of December 31, 2011. As of December 31, 2011, Hutchison had an attributable landbank which can be developed over time into approximately 99 million square feet of mainly residential property as of December 31, 2011, 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, was HK$6,911 million in 2009, HK$8,626 million in 2010 and HK$9,372 million (US$1,202 million) in 2011. 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. While the number of properties under development in Hong Kong has declined since 1999, 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 sources the remaining funding requirements 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 seven are managed by its 50%-owned hotel management joint venture Harbour Plaza Hotels and Resorts.

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.

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 Hong Kong 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, one piece in 2008, three pieces in 2009, 11 pieces in 2010 and ten pieces in 2011.

Property Rentals and Values

Property rates and rental value 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. Between the latter part of 2004 and the first half of 2008 Hong Kong underwent 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 from late 2008 with the slowdown of the overall economy in Hong Kong. However, property rentals and values stabilized during the first half of 2009 and have increased significantly from the second half of 2009 to mid 2011 due to strong economic growth, increasing demand from Mainland purchasers and very low interest rates. Property sales and prices have experienced a slowdown from mid 2011 onwards due to Hong Kong Government's tightening measures to suppress property price surge, coupled with global economic uncertainties triggered by eurozone and U.S. sovereign debt issues.

Office

The tables set forth below provide information on new supply, take-up, vacancy and vacancy rates of office property in Hong Kong for the each of the years from 2000 to 2011:

All-Grades Office — Supply, Take-Up, Vacancy and Vacancy Rate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(net area in thousands of square feet)[1]											
New supply within the year	1,022	818	1,786	3,217	3,002	366	1,162	3,443	3,669	1,625	1,334	1,668
Take-up within the year	4,562	32	2	1,270	4,013	4,519	1,797	1,829	3,712	-1,087	3,648	3,067
Vacancy at year end	9,985	10,889	12,643	14,354	13,342	9,189	8,102	9,695	9,393	11,653	9,254	7,532
Vacancy rate at year end (%)	10.2	11.1	12.6	14.0	12.7	8.7	7.7	8.9	8.4	10.3	8.0	6.5

(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, and then dropped again from 2009 to 2011.

Grade A Office[1] — Supply, Take-Up, Vacancy and Vacancy Rate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(net area in thousands of square feet)[2]											
New supply within the year	678	656	1,259	2,851	2,529	323	990	3,077	3,562	1,388	1,237	1,345
Take-up within the year	3,088	570	22	667	2,690	3,486	872	1,506	3,766	-764	3,142	2,507
Vacancy at year end	4,799	4,853	6,090	8,092	8,135	4,971	4,767	6,338	6,144	8,102	6,198	4,820
Vacancy rate at year end (%)	8.7	8.7	10.8	13.7	13.1	8.1	7.6	9.7	8.9	11.5	8.5	6.6

(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 in Hong Kong for the each of the years from 2000 to 2011:

Commercial — Supply, Take-Up, Vacancy and Vacancy Rate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(net area in thousands of square feet)[1]											
New supply within the year	689	1,420	1,485	1,270	979	1,194	1,969	516	527	904	699	452
Take-up within the year	2,066	398	-1,184	581	710	1,496	1,894	2,270	-420	452	1,453	-75
Vacancy at year end	7,263	8,081	10,663	10,782	10,964	10,545	11,007	9,135	9,899	10,028	9,081	9,243
Vacancy rate at year end (%)	7.5	8.2	10.7	10.8	10.8	10.3	9.8	8.1	8.7	8.7	7.9	8.0

(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 in Hong Kong for each of the years from 2000 to 2011:

Residential Units — Supply, Take-Up, Vacancy and Vacancy Rate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(number of units)[1]											
New supply within the year	25,790	26,260	31,050	26,400	26,040	17,320	16,580	10,470	8,780	7,160	13,410	9,450
Take-up within the year	29,180	19,320	18,240	22,490	31,400	17,450	16,400	19,850	6,890	11,090	8,030	11,400
Vacancy at year end	54,950	60,410	65,270	68,780	64,250	63,540	62,670	52,470	52,940	47,350	51,530	47,920
Vacancy rate at year end (%)	5.4	5.7	6.6	6.8	6.2	6.0	5.9	4.9	4.9	4.3	4.7	4.3

(1) 2000-2001 figures include village houses. 2002-2010 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, 2011, Hutchison owned and maintained a portfolio of approximately 12.0 million square feet (including 2.1 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.

In February 2012, Hutchison completed the disposal of its interests in Belvedere Garden, a 273,000 square feet commercial podium in Tsuen Wan, and Provident Centre, a 210,000 square feet of retail property in North Point.

The following table summarizes certain information as of December 31, 2011 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	479
			3,368
Commercial			
Whampoa Garden	Various	100	1,714
Aberdeen Center	1982	100	345
Others	Various	Various	373
			2,432
Industrial			
Watson Center	1978	100	687
Watson House	1982	100	281
Cavendish Center	1984	100	343
Food Distribution Depot	1991	100	142
Hutchison Logistics Center	1992	88	4,705
Others	Various	Various	32
			6,190
Residential	Various	Various	50
Total			12,040

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

Rental Income — Hong Kong

	Year Ended December 31,					
	2009		2010		2011	
		%		%		%
Gross Rental Income (in HK$ millions)						
Office	1,798	56.6	1,894	57.1	1,893	55.8
Commercial	856	26.9	896	27.0	955	28.2
Industrial	500	15.7	506	15.3	524	15.4
Residential	26	0.8	19	0.6	19	0.6
Total	3,180	100.0	3,315	100.0	3,391	100.0
(Rental income from Hutchison tenants included above)	346		349		357	
Gross Floor Area (in thousands of square feet)						
Office	3,400	27.1	3,400	27.1	3,368	28.0
Commercial	2,913	23.2	2,913	23.2	2,432	20.2
Industrial	6,190	49.3	6,190	49.3	6,190	51.4
Residential	50	0.4	50	0.4	50	0.4
Total	12,553	100.0	12,553	100.0	12,040	100.0
(Floor area occupied by Hutchison tenants included above)	2,410		2,354		2,077	

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,		
	2009	2010	2011
Occupancy Rate			
Office	97%	97%	93%
Commercial	96%	96%	97%
Industrial	98%	100%	100%
Residential	91%	94%	74%
Average Effective Monthly Rental(1) (in HK$ per square feet)			
Office	50	51	53
Commercial	25	27	31
Industrial	7	7	7
Residential	35	34	34

(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, ABN AMRO Bank, The Royal Bank of Scotland N.V., Barclays Capital Asia Ltd, the Securities and Futures Commission of Hong Kong and also Cheung Kong Holdings. As of December 31, 2011, Cheung Kong Center had an occupancy rate of 87%.

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, 2011, Hutchison House had an occupancy rate of 93%.

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, 2011, 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, 2011, the towers had an occupancy rate of 98%.

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, HMV and Golden Harvest Cinema. Hutchison's retail chain stores, PARKnSHOP and Watsons Personal Care Stores, also occupy space in the complex. As of December 31, 2011, the complex had an occupancy rate of 99% for its commercial space.

Aberdeen Center. Aberdeen Center is a 345,000 square feet commercial complex located in Aberdeen on Hong Kong Island that was completed in 1982 and is 100%-owned by Hutchison. Aberdeen Center also has over 128 car parking spaces available for rental. As of December 31, 2011, Aberdeen Center had an occupancy rate of 100%.

Hutchison Logistics Center. Hutchison Logistics Center, 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 areas and has over 187 car parking spaces available for rental. Hutchison previously had an 88% interest in Hutchison Logistics Center. The remaining 12% interest was purchased from the non-controlling interest on January 6, 2011. As of December 31, 2011, the complex had an occupancy rate of 100%.

The Mainland and Overseas

As of December 31, 2011, Hutchison's joint ventures in the Mainland and overseas had a portfolio of investment properties totaling 3.9 million square feet, of which Hutchison's share is 1.8 million square feet. The portfolio includes:

- Westgate Mall and Tower, a commercial podium and office tower totaling 1.10 million square feet in Shanghai. As of December 31, 2011, the complex had an occupancy rate of 100%;
- Metropolitan Plaza, a 1.51 million square feet development comprising an office tower and a commercial podium in Chongqing. As of December 31, 2011, the complex had an occupancy rate of 100%; and
- Metropolitan Plaza, a 0.93 million square feet commercial development in Guangzhou which was completed in June 2011.

In April 2011, Hutchison disposed of its interest in Beijing Oriental Plaza, a 5.55 million square feet multiphase development of commercial podium, office, hotel and serviced apartments in Beijing.

The following table summarizes certain information as of December 31, 2011 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, Chongging	1997	50	756	42.4
Westgate Mall and Tower, Shanghai	1997	30	330	18.5
Metropolitan Plaza, Guangzhou.	2011	50	465	26.1
Others	Various	Various	148	8.3
			1,699	95.3
Residential				
Others	Various	Various	83	4.7
			83	4.7
Total.			1,782	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 and overseas for the years indicated.

Rental Income — The Mainland and Overseas

	Year Ended December 31,					
	2009		2010		2011	
		%		%		%
Gross Rental Income (in HK$ millions)						
Office	201	33.1	208	32.8	117	25.0
Commercial	352	58.0	406	64.0	338	72.2
Residential	54	8.9	20	3.2	13	2.8
Total	607	100.0	634	100.0	468	100.0
Gross Floor Area (in thousands of square feet)						
Office	1,015	44.1	1,015	43.9	423	23.7
Commercial	995	43.2	1,007	43.5	1,276	71.6
Residential	292	12.7	292	12.6	83	4.7
Total	2,302	100.0	2,314	100.0	1,782	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 information technology-enabled, state-of-the-art buildings. Hutchison aims to accommodate tenants from leading multinational companies and high-end Mainland enterprises.

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 Center 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.

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

Hutchison has established a position as one of the leading property developers in the Mainland for over 15 years. Over 71 million square feet of floor area have been completed in projects spanning across different cities including Beijing, Changchun, Changsha, Chengdu, Chongqing, Dongguan, Guangzhou, Qingdao, Shanghai, Shenzhen, Tianjin, Xian 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, Dalian, Foshan, Guangzhou, Huizhou, Jiangmen, Nanjing, Qingdao, Shanghai, Shenzhen, Tianjin, Wuhan, Xian, Zhongshan and Zhuhai. These new projects are 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 the years indicated:

Residential Development

	Year Ended December 31,												
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(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	4,510	4,079	7,471
Floor Area Sold.	1,861	864	918	1,869	3,279	2,345	1,816	2,097	763	874	4,895	4,592	5,456
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	6,125	8,265	8,644

Market Cycles

Hutchison's residential development projects are affected by market cycles. For instance, volatile interest rates, a general decline in business activity and decreased consumer confidence had a significant negative effect on the residential property market in Hong Kong from the latter part of 1997 to the early part of 1999. The oversupply of new flats in the market continued to exert downward pressure on residential property prices through 2001. The downturn in the residential property market resulted in Hutchison making exceptional provisions against its interests in several property developments acquired during the period of increased property prices in 1997. However, as property prices rebounded from the latter part of 2004 to mid 2008, some of these provisions previously made were written back. In late 2008, property prices declined again due to the global economic downturn but have increased significantly from the second half of 2009 to 2011 due to strong economic growth, increasing demand from mainland purchasers and very low interest rates. Property sales and prices have experienced a slowdown from mid 2011 onwards due to Hong Kong Government's tightening measures to suppress property price surge, coupled with global economic uncertainties triggered by eurozone and U.S. sovereign debt issues.

Despite downturns in the property market, Hutchison's residential sales program has not been significantly affected due to the small number of development projects scheduled for sale. For example, Uptown, a residential development at Yuen Long, was completed in mid 2011 and over 91% of the residential units were sold as at December 2011.

Current Development Properties

In the past few years, Hutchison has focused on seeking new development opportunities in the Mainland. As of December 31, 2011, Hutchison's share of landbank has reached a total of approximately 99 million square feet of gross floor area, of which 97% is in the Mainland (representing an average land cost of RMB208 per square foot), 2% in the UK and 1% in Singapore and Hong Kong. This landbank comprises 50 projects in 24 cities, and will be developed in a phased manner over several years. In 2012, Hutchison expects to complete an attributable share of gross floor area of approximately 13.2 million square feet of residential and commercial properties in Hong Kong, Singapore and 13 cities in the Mainland.

The following table summarizes Hutchison's major development properties that are scheduled to be completed in 2012:

Development Properties

Name	Location	Total Gross Floor Area	Hutchison's economic net interest	Type
		(thousand sq ft)		
Hong Kong				
28 Barker Road	The Peak	29	100%	Residential
The Mainland				
The Greenwich Phases 2A, 2B & 3A	Xian Hi-Tech Industries Development zone, Xian	3,104	50%	Residential/ Commercial
Laguna Verona Phase D1 and G1a	Hwang Gang Lake, Dongguan	2,583	49.9%	Residential/ Commercial
Le Parc Phases 4A & 6A	Chengdu High-Tech Zone, Chengdu	2,490	50%	Residential/ Commercial
Regency Oasis Phases 1B & 2	Wenjiang District, Chengdu	2,340	50%	Residential
The Harboutfront Phase 1	Shibei District, Qingdao	2,278	45%	Residential/ Commercial
The Metropolitan Tianjin Phases 1 & 2	Yingkoudao, Heping District, Tianjin	2,127	40%	Residential/ Commercial
Century Place Phases 1 & 2	Futian District, Shenzhen	1,933	40%	Residential/ Commercial
Nobile Hills	Baoan District, Shenzhen	1,583	50%	Residential/ Commercial
Cape Coral Phase 2	Nanan District, Chongqing	1,579	47.5%	Residential/ Commercial
Zengcheng Phase 1	Zengcheng, Guangzhou	1,189	50%	Residential/ Commercial
Regency Cove Phase 1	Caidian District, Wuhan	962	50%	Residential
Nobile Hills Phase 3	Wangcheng County, Changsha	932	50%	Residential
Cape Coral Phase 3A	Panyu District, Guangzhou	905	50%	Residential
The Metropolis Phase 2A	Huang Pu District, Guangzhou	674	30%	Commercial
Le Sommet Phases 1B, 2 & 4A	Longgan District, Shenzhen	644	50%	Residential
Regency Park Phases 1, 2 & 3A	Tianning District, Changzhou	509	50%	Residential
Yuhu Mingdi Phase 1	Luogang District, Guangzhou	473	40%	Residential/ Commercial
Nobile Hills Phase 2B	Douxi, Chongqing	354	50%	Residential
Regency Garden Phase 1	Pudong New District, Shanghai	350	42.5%	Residential
Regency Park Phases 2C	Jingyue Economic Development Zone, Changchun	190	50%	Residential
Putuo Phase 1A	Putuo District, Shanghai	155	30%	Commercial
Regency Residence Phases 1 & 2B	Nanguan District, Changchun	123	50%	Residential/ Commercial
Singapore				
Marina Bay Phase 2	Singapore	1,643	17%	Commercial

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 PRC Government authorities at different levels. Land released for development in the Mainland is usually sold through tender auction. In the UK, available land is generally acquired via invited tender process and planning approval is required from local council and planning department including renegotiation of S106 obligations and affordable housing requirement.

Development Costs

Hutchison estimates that its share of total development costs from 2012 to 2013 for properties under development, whether for investment or for sale, will be approximately HK$42,065 million, of which approximately HK$40,123 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 seven are managed by its 50%-owned hotel management joint venture (which also manages three other hotels owned by Cheung Kong Holdings). Hutchison's ownership of hotels generally arises 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.

Harbour Grand Hong Kong, a new deluxe hotel, and Harbour Plaza 8 Degrees, a new four-star hotel, were developed by Cheung Kong Holdings and commenced operations on June 1, 2009 and October 12, 2009, respectively. Both hotels are under the management of Harbour Plaza Hotels and Resorts.

On January 28, 2010, Harbour Plaza Hong Kong was rebranded as Harbour Grand Kowloon which more appropriately reflects its five-star and luxury offerings.

On August 1, 2011, the resort complex at The Bahamas was renamed to Grand Lucayan Beach and Golf Resort.

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	86.1	782 rooms	39.0	1974
Great Wall Sheraton Beijing	Five star	57.2	827 rooms	49.8	1984
Harbour Grand Kowloon[3]	Five star	84.4	507 rooms	100.0	1995
		83.2	48 serviced suites		
Harbour Plaza Chongqing	Five star	60.5	348 rooms	50.0	1998
		49.5	41 serviced suites		
Grand Lucayan Beach and Golf Resort[4]	Resort	46.6	1,271 rooms	100.0	1999
Harbour Plaza North Point Hong Kong	Four star	91.6	501 rooms	39.1	2000
		90.6	168 serviced suites		
Grand Hyatt Beijing	Five star	66.7	866 rooms	10.76[5]	2001
Harbour Plaza Metropolis Hong Kong	Four star	94.3	701 rooms	50.0	2002
		97.3	120 serviced suites		
Horizon Suite Hotel Hong Kong	Four star	92.6	831 serviced suites	49.0	2002
The Kowloon Hotel Hong Kong	Four star	95.1	737 rooms	50.0	2005
Rambler Garden Hotel Hong Kong	Four star	99.3	800 rooms	70.0	2005
Rambler Oasis Hotel Hong Kong	Four star	99.2	822 rooms	70.0	2006

(1) Average occupancy rates for the twelve months ended December 31, 2011.

(2) As of December 31, 2011.

(3) Harbour Grand Kowloon was formerly known as Harbour Plaza Hong Kong prior to January 28, 2010.

(4) With effect from August 1, 2011, Radisson Our Lucaya and Our Lucaya Reef Village were renamed Radisson Resort Grand Lucayan and Grand Lucayan Beach and Golf Resort, respectively.

(5) The approximate 10.76% interest is based on Hutchinson's 17.9725% indirect interest in an associate that held an effective 59.9% interest in Hui Xian REIT as at December 31, 2011. The assets of Hui Xian REIT includes Grand Hyatt Beijing Hotel.

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 33 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.

AS Watson has become 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 concessions and other retail formats. It has significant buying and operational synergies across its retail businesses in Asia and Europe, which operate 10,021 retail outlets in 33 markets as of December 31, 2011.

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,		
	2009	2010	2011
Health and Beauty China			
Watsons	559	801	1,063
Health and Beauty Asia			
Hong Kong and Macau – Watsons	163	180	192
Taiwan – Watsons	398	419	442
Malaysia – Watsons	207	224	249
The Philippines – Watsons	206	235	274
Thailand – Watsons	154	173	209
Singapore – Watsons	101	105	106
South Korea – Watsons	26	40	54
Indonesia – Watsons	4	4	6
	1,259	1,380	1,532
Health and Beauty Europe			
Germany – Rossmann	1,513	1,561	1,611
The Netherlands			
– Kruidvat	804	806	826
– Trekpleister	129	130	133
Belgium – Kruidvat	164	168	177
UK and Ireland – Superdrug	908	899	888
UK – Savers	230	231	232
Poland – Rossmann	420	516	618
Hungary – Rossmann	187	190	179
Czech Republic – Rossmann	111	113	110
Latvia – Drogas	73	73	77
Lithuania – Drogas	45	44	46
Russia – Spektr	45	52	55
Ukraine – Watsons	177	211	251
Turkey – Watsons	25	44	71
Others	4	—	—
	4,835	5,038	5,274

	As of December 31,		
	2009	2010	2011
Luxury Europe			
France – Marionnaud	567	566	568
Switzerland – Marionnaud	111	106	105
Spain – Marionnaud	155	148	143
Italy – Marionnaud	122	112	116
Austria – Marionnaud	99	98	101
Portugal – Marionnaud	12	13	12
Marionnaud Central Europe & Others	175	167	146
The Netherlands – Ici Paris XL	122	126	132
Belgium – Ici Paris XL	109	110	110
Luxembourg – Ici Paris XL	4	4	4
UK and Ireland – The Perfume Shop	179	187	242
	1,655	1,637	1,679
Retail Others			
Hong Kong and Macau			
– PARKnSHOP	236	239	256
– Fortress	53	71	79
– Nuance – Watson	40	41	41
– Watson's Wine	16	20	22
The Mainland			
– PARKnSHOP	39	40	46
– Nuance – Watson	1	1	1
– Watson's Wine	—	1	1
Other Asian Countries			
– Nuance – Watson	25	25	27
	410	438	473
Total	8,718	9,294	10,021

All the numbers of stores quoted in the following paragraphs are as of December 31, 2011 unless otherwise specified.

Health & Beauty China / 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 Mainland, Hong Kong, Taiwan, Macau and other countries in South East Asia. The Watsons chain offers a wide range of products, including health, beauty, skincare, personal care and general merchandise products.

Across the region, AS Watson operates 1,063 outlets in the Mainland, 442 in Taiwan, 249 in Malaysia, 274 in the Philippines, 192 in Hong Kong and Macau, 209 in Thailand, 106 in Singapore, 54 in South Korea and 6 in Indonesia.

Health & Beauty Europe

AS Watson operates Superdrug and Savers in the UK. Superdrug is one of the UK's leading health & beauty retailers operating 888 stores nationwide. Savers, a chain of discount health and beauty stores in the UK, has 232 stores.

It also operates six leading retail chains (Kruidvat, Rossmann, Trekpleister, Drogas, Watsons and Spektr) with over 4,100 stores in 11 countries (the Netherlands, Belgium, Germany, Poland, Hungary, Czech Republic, Latvia, Lithuania, Turkey, Russia and Ukraine).

Luxury Europe

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

AS Watsons operates Marionnaud, a leading perfumery chain in France with 568 outlets and an additional 623 outlets across other countries such as Switzerland, Austria, Italy, Spain, Portugal and various countries in Central Europe.

It also operates a specialty perfumery retailer, The Perfume Shop in the UK and Ireland, which operates 189 perfumery stores in the UK and Ireland.

ICI Paris XL is another leading perfumery chain in Europe with 246 stores in the Netherlands, Belgium and Luxembourg.

In July 2009, AS Watson acquired the remaining 49% equity of Marionnaud Central Europe, which has operations in various Central European countries. Prior to AS Watson's acquisition of Marionnaud Group in April 2005, Marionnaud Parfumeries entered Central Europe through the acquisition of 51% of Central Europe from the joint venture partner, who continued to retain management and effective operational control. AS Watson now owns 100% of the share capital and possesses full control of Marionnaud Central Europe. Marionnaud Central Europe operates stores in five countries: Czech Republic, Slovakia, Hungary, Poland and Romania, with a total of 146 retail outlets.

Retail Others and Manufacturing

PARKnSHOP is a leading supermarket chain with 256 locations in Hong Kong and Macau. It is one of the market leaders in Hong Kong and has further expanded its offerings into the higher end food retailing market through branded store formats such as Great, Taste, Fusion and PARKnSHOP International. In the Southern Mainland, PARKnSHOP is one of the leading hypermarket operators, selling fresh food, general merchandise and household products. As of December 31, 2011, there were 46 PARKnSHOP stores in the Mainland, primarily in the southern region.

Fortress is one of the leading retailers of consumer electronics and electrical appliances in Hong Kong. The chain of 79 Fortress stores throughout Hong Kong offers a wide range of products and after-sales product services.

Nuance-Watson, a 50% joint venture with The Nuance Group AG, holds concessions to operate a chain of 42 retail stores, both airside and landside, at the Hong Kong International Airport and two other stores in Zhuhai and Macau. The joint venture also operates 27 concession 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 is one of the leading Hong Kong wine retailers with 22 outlets in Hong Kong and one outlet in the Mainland. AS Watson also operates Badaracco S.A., a Swiss wine trading company.

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 of water and over 30 million liters of beverages in Hong Kong; and over 600 million liters of water and over 250 million liters of beverages in the Mainland.

AS Watson's "Watsons" brand is one of the leading brands of drinking water in Hong Kong. AS Watson's water business is growing in the Mainland, with strong sales in the Southern region, 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.

Infrastructure

Cheung Kong Infrastructure

CKI was established 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 SEHK in July 1996. Hutchison's current interest in CKI's ordinary shares is 79.79% (which excludes the shares issued to and held by the fiduciary in connection with the issue of new perpetual capital securities in February 2012). Based on the closing price of its shares on SEHK on March 31, 2012, CKI had a market capitalization of approximately HK$115,566 million (approximately US$14,816 million).

In Hong Kong, CKI holds a 38.87% interest in Power Assets, 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 currently has interests 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 the UK, Australia, New Zealand and Canada.

In the UK, CKI, together with Power Assets, holds an 80% interest in UK Power Networks, which owns, operates and manages three regulated electricity distribution networks in the UK that cover London, the South East of England and the East of England. UK Power Networks also carries on certain non-regulated electricity distribution businesses in the UK, including the distribution of electricity to a number of privately owned sites. Together with Power Assets, CKI holds an 88.35% interest in Northern Gas, one of the eight major gas distribution networks in the UK, and a 50% interest in Seabank Power, which owns a power station near Bristol. CKI also holds a 40% interest in UK Water, which owns a 100% interest in Northumbrian Water, one of the 10 regulated water and sewerage businesses in England and Wales, as well as a 4.75% interest in Southern Water, which is a regulated business supplying water to more than one million households and waste water services to nearly two million households across Sussex, Kent, Hampshire and the Isle of Wight.

In Australia, CKI has a 49% interest in AquaTower, the exclusive potable water supplier for four regional towns in Victoria; and together with Power Assets, has a 51% interest in three Australian electricity distribution companies, ETSA Utilities, Powercor and CitiPower. CKI also has strategic investments in two Australian-listed companies, Spark Infrastructure Group and Envestra Limited.

In Canada, CKI, together with Power Assets, holds a 100% interest in Stanley Power, which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P.. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant in Saskatchewan, Canada, with an installed capacity of 220 MW. TransAlta Cogeneration, L.P. owns interests in four natural gas-fired cogeneration plants in Alberta, Saskatchewan and Ontario, Canada and a coal-fired generation plant in Alberta.

In New Zealand, CKI, together with Power Assets, holds a 100% interest in Wellington Electricity, 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 4,602 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.

Certain regulated operations of CKI's investments are subject to price control by regulatory authorities. The relevant regulatory authorities will reset the price control terms for certain projects in accordance with predetermined schedules.

The following table summarizes certain information with respect to CKI:

Cheung Kong Infrastructure Holdings Limited

	Year Ended December 31,		
	2009	2010	2011
Financial Information (in HK$ millions)			
Turnover:			
Infrastructure related business	1,132	1,508	1,743
Infrastructure investments	1,052	1,306	1,750
Total CKI group turnover	2,184	2,814	3,493
Profit before taxation	5,572	5,175	8,266
Profit attributable to the shareholders of CKI	5,568	5,028	7,745
Dividends	2,707	2,998	3,578
Property, plant and equipment	1,320	1,276	845
Interests in associates	33,259	50,573	62,504
Interests in jointly controlled entities	603	707	942
Equity attributable to shareholders of CKI — shareholders' funds	42,215	45,673	51,744
Operating Information(1)			
Production(2):			
Cement (in millions of tons)	2.1	2.8	2.9
Asphalt (in millions of tons)	0.2	0.2	0.2
Limestone (in Mt)	0.9	0.9	1.1
PFA (in Mt)	0.1	0.1	0.1
Toll roads (in kilometers)	374.5	374.5	374.5
Toll bridges (in kilometers)	12.8	12.8	12.8

(1) Operating information excludes Power Assets.

(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 Hanson PLC in April 2004. For the year ended December 31, 2011, ACML produced 1.4 million m^3 of concrete and 1.5 million tons of aggregates.

Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited)

Power Assets is listed on SEHK. Based on the closing price of its shares on SEHK on March 31, 2012, Power Assets had a market capitalization of approximately HK$121,653 million (approximately US$15,597 million). Power Assets' 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 2011 were 10,897 million kWh, a 0.3% decrease from the 10,933 million kWh sold in 2010. Domestic customers, commercial customers and industrial customers accounted for 22.8%, 74.1% and 3.1%, respectively, of total unit sales in 2011. The system maximum demand in 2011 was 2,498 MW. In December 2011, Hongkong Electric announced an increase in average net tariff of 6.3% for 2012.

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 output during 2011, about 67% was produced by the coal-fired units and 33% was produced by the gas-fired units. During 2011, 3.0 million metric tons of low sulphur, low ash coal was burnt and sourced from diverse supply countries.

In December 2008, the Hong Kong Government approved the Development Plan of Hongkong 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 maintenance of the reliability of the electricity transmission and distribution network and 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. In addition, where cable-laying might cause serious disruption to the environment, Hongkong Electric has built cable tunnels. As of December 31, 2011, there were 25 switching stations, 27 zone substations and 3,741 high voltage distribution substations in the system operated by Hongkong Electric. Generation, transmission and distribution are all controlled by 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 the SOC with the Hong Kong Government.

In January 2008, Hongkong Electric signed a new SOC with the Hong Kong Government for a period of ten 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 February 2009, Power Assets entered into an agreement with CKI to purchase the entire issued share capital in Outram Limited, a subsidiary of CKI, which holds a 45% 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. The transaction was completed on April 2, 2009.

Power Assets also holds 45% interests in two wind farms, one 48 MW farm in Dali, Yunnan Province and one 49.5 MW farm in Leting, Hebei Province. Both wind farms commenced commercial operations in 2009.

In June 2010, Power Assets entered and completed an agreement with CKI to purchase 50% stake in Electricity First Limited, through which Power Assets holds 25% of Seabank Power, an electricity generating company with an aggregate capacity of approximately 1,140 MW located near Bristol in the UK.

In October 2010, Power Assets acquired a 40% interest in UK Power Networks, which comprises three regional electricity distribution networks with a distribution area that covers London, South East of England and the East of England. These networks serve approximately 7.8 million customers and provide nearly a quarter of the electrical power in the UK. In addition, UK Power Networks' business includes a non-regulated business comprising the distribution of electricity to a number of privately owned sites. Currently, CKI and Power Assets each hold a 40% interest in UK Power Networks.

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

The following table summarizes certain information with respect to Power Assets extracted from Power Assets' publicly available information:

Power Assets Holdings Limited

	Year Ended December 31,		
	2009	2010	2011
Financial Information (in HK$ millions)			
Turnover	10,395	10,371	10,201
Profit attributable to shareholders	6,697	7,194	9,075
Dividends	4,503	4,503	4,951
Fixed assets	47,464	47,924	48,799
Shareholders' funds	52,144	56,137	57,873
Operating Information			
Electricity unit sales (in kWh millions)	10,921	10,933	10,897
Average net tariff (HK cents per kWh)	119.9	119.8	123.1
Number of customers (in thousands)	564	566	567
Installed capacity (in MW)	3,736	3,736	3,736

Australian Projects

CKI, together with Power Assets, owns a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in:

- ETSA Utilities, the owner and manager of South Australia's primary electricity distributor, which delivers electricity to more than 825,000 customers. The network has a route length of approximately 87,000 kilometers including over 400 zone substations, 72,000 transformers and 723,000 poles.
- Powercor, the owner and manager of the largest electricity distributors in Victoria, Australia, which delivers electricity to approximately 700,000 customers in central and western Victoria 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 a 19.22% interest in Envestra Limited, one of the largest listed natural gas distribution company in Australia with approximately 22,200 kilometers of natural gas distribution networks and 1,120 kilometers of transmission pipelines serving over 1.1 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

CKI has also undertaken the following projects in Australia:

AquaTower

CKI has a 49% interest in AquaTower, the exclusive potable water supplier to four regional towns in Victoria, Australia.

Spark Infrastructure Group

CKI currently holds an 8.53% interest in Spark Infrastructure Group, a stapled group listed on the Australian Securities Exchange, which holds investments in the Australian joint ventures, ETSA Utilities, Powercor and CitiPower.

Mainland Projects

Power Plants

Through Power Assets, CKI 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 these power projects as of December 31, 2011:

Business	**Business Scale**	**Power Assets' Interest[(1)]**	**Commencement Date of Operations**	**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 Power Assets' contribution to the total investment of each project in the form of registered capital contribution as of December 31, 2011. 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.

Wind Farms

Through Power Assets' 45% interests, CKI has interests in two wind farms, one 48 MW farm in Dali, Yunnan Province and one 49.5 MW farm in Leting, Hebei Province. Both wind farms commenced commercial operations in 2009.

Roads and Bridges in the Mainland

As of December 31, 2011, CKI 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.

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	CKI's Interest[(1)]	Commencement Date of Operation	Expiration Date
	(kilometers "km")	%		
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	2.1 km toll bridge	50.0	May 1999	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 as of December 31, 2011. 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.

UK Projects

Northern Gas Networks Limited

In August 2004, CKI entered into an agreement to acquire a 69.8% interest in Northern Gas, an energy project in the UK. CKI then entered into a conditional agreement in September 2004 to dispose of a 19.9% interest in Northern Gas to Power Assets. In November 2004, CKI entered into another conditional agreement to dispose of a further 9.9% interest in Northern Gas to independent third parties. The transaction was completed on June 1, 2005. In November 2008, Power Assets acquired a 15.2% interest in Northern Gas. In November 2009, CKI and Power Assets further acquired an additional 7.06% and 6.19% interest in Northern Gas, respectively. As of December 31, 2011, CKI and Power Assets owned a 47.06% and a 41.29% interest, respectively, in Northern Gas.

The region served by Northern Gas 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.

Cambridge Water

CKI held 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 of 453 square miles in South Cambridgeshire in the UK. CKI sold its 100% interest in Cambridge Water in August 2011 to comply with relevant merger rules in the UK.

Southern Water Group

Since December 2007, CKI has held a 4.75% stake in Southern Water which is a regulated business supplying water to more than one million households and waste water services to nearly two million households across Sussex, Kent, Hamsphire and the Isle of Wight in the UK.

Seabank Power Limited

In May 2010, CKI acquired a 50% interest in Seabank Power, which owns and operates a 1,140 MW power plant in the UK. CKI then disposed of a 25% interest in Seabank Power to Power Assets in June 2010. As of December 31, 2011, CKI and Power Assets each held a 25% interest in Seabank Power.

UK Power Networks Holdings Limited

In October 2010, CKI acquired a 40% interest in UK Power Networks, which comprises three regional networks with a distribution area that covers London, the South East of England and the East of England. These networks serve approximately 7.8 million customers and provide nearly a quarter of the electrical power in the UK. In addition, UK Power Networks' businesses include a non-regulated business comprising the distribution of electricity to a number of privately owned sites. As of December 31, 2011, CKI and Power Assets each held a 40% interest in UK Power Networks.

UK Water (2011) Limited

In October 2011, CKI acquired a 40% interest in UK Water, which owns a 100% interest in Northumbrian Water. Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales and operates in the water supply, sewerage and waste water industries in the UK. Northumbrian Water provides water and sewerage services to 2.7 million people in the North East of England and water services to 1.8 million people in the South East of England. In addition, Northumbrian Water's operations include a business comprising Kielder Reservoir, the largest man-made reservoir in northern Europe, as well as a portfolio of long term water and waste water contracts.

Canadian Project

Stanley Power Inc.

Since December 2007, CKI, together with Power Assets, has held a 100% interest (on a 50/50 basis) in Stanley Power, which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P.. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant with an installed capacity of 220 MW in Saskatchewan, Canada. TransAlta Cogeneration, L.P. owns interests in four natural-gas fired cogeneration plants in Alberta, Saskatchewan and Ontario, Canada and a coal-fired generation plant in Alberta.

New Zealand Projects

Wellington Electricity Distribution Network

In June 2008, CKI, together with Power Assets, completed the acquisition of a 100% interest (on a 50/50 basis) in Wellington Electricity, which supplies electricity to the city of Wellington, the capital of New Zealand. The distribution network extends to the Porirua and Hutt Valley regions of New Zealand and has a system length of 4,602 kilometers.

Infrastructure Materials

CKI, through Green Island Cement (Holdings) Limited ("Green Island"), Green Island International (BVI) Limited, ACML and other subsidiaries and associates, 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 54% of Hong Kong's annual cement requirements in 2011. It has a cement grinding capacity of approximately 2.5 million tons per year and a clinker capacity of approximately 1.5 million tons per year. In addition, Green Island is involved in the disposal of solid waste (principally fly ash) which is produced as a waste product of power generation by coal-fired power stations. CKI has a 67% interest in a joint venture operating a cement manufacturing plant in Yunfu, Guangdong province in the Mainland with an annual clinker production capacity of 800,000 tons and an annual cement grinding capacity of 1.3 million tons. In the first half of 2010, CKI further expanded its scope in the Mainland with a HK$700 million investment in new cement production facilities in Yunfu that will have a clinker capacity of 4,500 tons per day. Approval for the project has been granted by the Development and Reform Committee of Guangdong Province. Under the approval condition, the project also encompasses the installation of a 9 MW waste heat regeneration system which will be used by the new plant.

The project is due to be completed in the second half of 2012.

Concrete

ACML is Hong Kong's largest producer of concrete and aggregates and is estimated to account for approximately one-third of the territory's market share. ACML has three quarries in Hong Kong and the Mainland with probable aggregate reserves adequate for consumption for the next decade. ACML has an annual production capacity of approximately 4 million cubic meters of concrete and 2 million tons of aggregates.

Energy

Husky Energy

As at April 2, 2012, Hutchison held a 33.90% 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, 2012, Husky Energy had a market capitalization of C$24,511 million (approximately HK$190,450 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 and production of heavy oil, bitumen, light crude oil, natural gas and natural gas liquids from assets located in Western Canada, the Atlantic region and offshore Mainland China and Indonesia;

- the midstream segment, which provides strategic support for the upstream business and comprises pipeline transportation, gas storage, cogeneration and the marketing of a wide range of petroleum-based products. The midstream assets are located throughout Western Canada and connect with major North American transportation systems; and

- the downstream segment, which provides strategic support for the upstream business through the upgrading and refining of crude oil and the marketing of gasoline, diesel, jet fuel, asphalt, ethanol and related products in Canada and the U.S..

On December 1, 2011, Husky Energy announced its 2012 capital expenditure program that builds on the momentum achieved in 2011 to increase short-term production and supports the continued execution of Husky Energy's mid and long-term growth initiatives, including its operations in oil sands, the Atlantic region and offshore Mainland China and Indonesia. In addition, the 2012 capital expenditure program also provides support to Husky Energy's efforts to reinvigorate and transform its operations in Western Canada.

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

Husky Energy Inc.

	Year Ended and as of December 31,		
	2009	2010	2011
Operating Information			
Net proved reserves:			
Crude oil and natural gas liquids (millions of barrels)	566.0	593.0	657
Natural gas (billions of cubic feet)	1,513.0	1,734.0	1,932
Average net daily production:			
Heavy crude oil and bitumen (thousands of barrels per day)	90.9	82.9	99.2
Medium crude oil (thousands of barrels per day)	21.4	20.9	24.5
Light crude oil and natural gas liquids (thousands of barrels per day)	69.4	77.2	87.6
Natural gas (millions of cubic feet per day)	457.3	478.7	607.0
Average sales prices:			
Light crude oil and natural gas liquids (Canadian dollars per barrel)	62.70	76.90	103.25
Heavy crude oil (Canadian dollars per barrel)	52.54	58.91	66.99
Bitumen (Canadian dollars per barrel)	51.90	57.84	64.34
Medium crude oil (Canadian dollars per barrel)	56.37	64.92	75.65
Natural gas (Canadian dollars per thousand cubic feet)	3.83	3.86	3.55
Financial Information(1) (millions of Canadian dollars)			
Sales and operating revenues, net of royalties under Canadian GAAP	15,074	17,961	N/A
Net earnings under Canadian GAAP	1,416	1,173	N/A
Total assets under Canadian GAAP	26,295	29,133	N/A
Shareholders' equity under Canadian GAAP	14,413	15,493	N/A
Net earnings under U.S. GAAP	1,377	1,238	N/A
Total assets under U.S. GAAP	25,883	28,607	N/A
Shareholders' equity under U.S. GAAP	14,082	15,218	N/A
Sales and operating revenues, net of royalties under IFRS (2)	N/A	17,107	23,364
Net earnings under IFRS (2)	N/A	947	2,224
Total assets under IFRS	N/A	28,050	32,426

(1) Amounts have been restated to reflect the adoption of a new accounting policy for goodwill and intangible assets.

(2) During the first quarter of 2012, Husky Energy completed a review of the trading activities within its Infrastructure and Marketing segment and determined that the realized and the unrealized gains and losses previously presented on a gross basis in revenues, purchases of crude oil and products and other - net, would be more appropriately presented on a net basis to reflect the nature of trading activities. As a result, these realized and unrealized gains and losses, and the underlying settlement of these contracts, have been recognized and recorded on a net basis in marketing and other in the condensed interim consolidated statements of income. There is no impact on Husky Energy's 2011 net earnings arising from this change in presentation. The impact of this change in presentation are a reduction of Gross revenues of approximately C$1,497 million, Marketing and other of approximately C$90 million, Purchases of crude oil and products of approximately C$1,399 million, and Other - net of approximately of C$8 million, respectively.

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, heavy oil operations, the Atlantic region and offshore Mainland China and Indonesia.

Husky Energy has substantial interests in offshore development and exploration opportunities in the Atlantic region and substantial long-term growth potential in the oil sands regions of Alberta, Canada.

Husky Energy also has offshore development and exploration opportunities in offshore Mainland China, Indonesia and Greenland. 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 systems, 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 offshore development and production operations as the operator of the successful White Rose development 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 offshore discovery and exploration licenses off 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 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:

  Sunrise – Regulatory approval of Husky Energy's 200,000 barrel per day Sunrise Energy Project was received in December 2005. 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 a 50/50 oil sands partnership and BP contributed its refinery in Toledo, Ohio in the U.S. to a U.S. 50/50 limited liability company. The transaction closed in the first quarter of 2008 with an effective date of January 1, 2008. Husky Energy and BP continue to advance the development of the Sunrise project in multiple stages. To date, Husky Energy has drilled approximately half of the planned 49 steam-assisted gravity drainage horizontal well pairs for Phase I of the project. Husky Energy is on track for the full drilling program to be completed in the second half of 2012 with anticipated first production planned for 2014.

  Tucker – Husky Energy's first oil sands project, located 30 kilometers northwest of Cold Lake, Alberta, extracts bitumen resources from the clear water formation. Husky Energy has a 100% working interest in the project, which achieved first production in November 2006. Husky addressed subsurface challenges in 2011 by remediating older wells with new completion and stimulation techniques, drilling new wells, and initiating revised start up procedures.

  McMullen – Husky Energy's development of the McMullen property, which is located in the west-central region of the Athabasca oil sands of northern Alberta, involves a cold production drilling project and an air injection pilot. At the McMullen air injection pilot project, commissioning of the facilities was completed in September 2011 and steam injection, which is the first phase of the process, was initiated at the end of September 2011. The first air injection was successfully completed in December 2011. All remaining cold production wells were completed during the first quarter of 2012, and the air injection pilot is progressing as planned.

  Saleski – Husky Energy holds the oil sand rights in the bitumous Grosmont, Ireton and Nisku areas, covering more than 241,000 acres approximately 130 kilometers west of Fort McMurray, Alberta. Husky Energy has a 100% working interest in this project. In 2011, Husky Energy continued evaluation of the information from the vertical stratigraphic test wells and two-dimensional ("2-D") seismic data obtained earlier in 2011.

Additional stratigraphic tests are planned for 2012.

- Heavy Oil:

  In 2011, construction of an 8,000 barrels per day Pikes Peak South thermal project progressed within original cost estimates and on schedule. The project is anticipated to become operational by mid-2012. The project was approximately 80% complete at the end of 2011.

  Husky Energy continued construction of its 3,000 barrels per day Paradise Hill development, which will utilize existing Bolney infrastructure. The project is on schedule and was approximately 80% complete at the end of 2011. It is anticipated to become operational by the third quarter of 2012.

  Rush Lake, a pilot single well pair, achieved first oil in October 2011. Design of an 8,000 barrels per day Rush Lake commercial project is now underway. The planning process is ongoing for three additional commercial thermal projects which are in the early stages of reservoir evaluation and concept selection.

  Husky Energy advanced its horizontal drilling program in 2011 targeting new geological horizons in existing regions with the completion of an expanded 130 well program for 2011.

  Husky Energy drilled 315 net cold heavy oil production with sand wells during 2011.

  Husky Energy is operating four solvent Enhanced Oil Recovery ("EOR") pilots. Field results have demonstrated technical success. A CO2 capture and liquefaction plant at the ethanol plant in Lloydminster, Saskatchewan, is under construction with commissioning expected in the first quarter of 2012. All CO2 from the Lloydminster ethanol plant is expected to be used in the ongoing solvent EOR piloting program.

- Western Canada (excluding heavy oil and oil sands):

  Gas Resource Plays – The liquids-rich formations at Ansell in west central Alberta continue to be a key area of focus. During 2011, Husky Energy drilled 35 Cardium formation wells and seven multi-zone wells at Ansell. Completion operations commenced and offload capacity expansion construction progressed during 2011. The evaluation of the Duvernay liquids-rich gas play in Kaybob continued in 2011 with the drilling, coring and logging of two vertical wells. One horizontal well was spud and was rig released in late 2011 to establish the productive capacity of this zone. The drilling of a second well is in progress. Completion of the horizontal wells is expected in 2012. In 2011, three wells in the multi-zone program were drilled at Kakwa and placed on production. Initial production is in line with expectations.

  Oil Resource Plays – In the Viking oil resource project, 16 wells were drilled in the Dodsland/Elrose area of southwest Saskatchewan. The horizontal program conducted in Redwater, Alberta in 2011 resulted in 22 gross Viking horizontal wells drilled with a 87% working interest. Approximately 50 wells are planned for the Redwater and Saskatchewan Viking projects in 2012. During 2011, Husky Energy was successful in acquiring approximately 11,500 acres (18 sections) of high potential Bakken Formation acreage adjacent to its Oungre Oil Resource Project lands in south central Saskatchewan. Husky Energy holds a total of approximately 18,700 net acres (29.25 sections) in this play. Husky Energy drilled a total of 12 wells in 2011 and also acquired additional three-dimensional ("3-D") seismic data in 2011 in order to obtain full coverage over all landholdings at Oungre. Husky Energy drilled five gross wells with a 56% working interest in the lower Shaunavon zone in early 2011 with four wells currently producing and one well abandoned due to surface casing issues. Five additional wells planned in the Shaunavon resource play for 2012. Husky Energy currently holds approximately 29,000 net acres (44 sections) in the Northern Cardium oil resource trend at Wapiti and Kakwa. In 2011, four horizontal wells were drilled with two wells completed at Wapiti. During the year, a four-well pilot program was drilled at Kakwa with a 63% working interest. All four wells were completed in the first quarter of 2012 and the results are being evaluated.

- 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. In April 2008, Husky Energy announced it had reached an agreement with China National Offshore Oil Corporation ("CNOOC") to jointly develop the Madura BD field. In 2009, the Madura BD field development plan was approved by the Government of Indonesia. In October 2010, the Government of Indonesia approved the extension to the Production Sharing Contract ("PSC") which was originally awarded in 1982. The approval provides Husky Energy and its partner, CNOOC, a 20-year extension to the existing contract which would have expired in 2012. The extension provides the basis for the development of the Madura BD field as the gas sales agreements are in place and the plan of development has been approved by the Indonesian government. The front end engineering work was completed in second quarter 2010. In January 2011, Husky Energy and its partner, CNOOC, each sold a 10% equity stake in Husky Oil (Madura) Ltd. to Samudra Energy Ltd. Following the completion of the sale, Husky Energy and CNOOC respectively holds a 40% equity interest in the project. Tendering of equipment and services for the BD field development commenced in 2011. The Indonesian Government approved a gas sales price for the Madura block and final gas sales amendments were completed in late 2011. In 2011, the MDA-4 exploration well in the Madura Straits Block was successful and confirmed additional gas resources in the MDA field. Drilling of the MBH-1 exploration well was also successful with a new discovery of gas resources and the well was tested at rates up to 18.1 million cubic feet per day. A Plan of Development contemplating a cluster development with the MDA field is expected to be filed in 2012. First gas production from the Madura Straits Block is expected in 2014.

  North Sumbawa – In October 2008, Husky Energy was awarded a PSC from the Government of Indonesia for a 100% interest in the North Sumbawa II PSC comprising 5,000 square kilometers in the East Java Sea. During 2009, contracts were awarded for the acquisition and processing of 1,020 kilometers of new 2-D seismic data on the North Sumbawa II Block. In 2010, processing of this data was completed and several leads were identified. A data room has been opened for prospective partners in the block, including participation in the exploration well which is planned to be drilled in 2012. Interpretation of the 1,020 kilometers of new 2-D seismic data was under review at the end of 2011.

- Offshore Mainland China Exploration and Development:

  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 for three exploration blocks covering approximately 16,900 square kilometers. In the first half of 2007, Husky Energy began to acquire seismic data in the South China Sea. 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.

  In 2009, the West Hercules deep-water drilling rig completed drilling and testing of three appraisal wells on the Liwan 3-1 field, Block 29/26 in the South China Sea. In November 2009, the West Hercules drilling rig drilled a significant new natural gas discovery at Liuhua 34-2-1, approximately 20 kilometers to the northeast of the Liwan 3-1 field. In February 2010, another significant new gas discovery was confirmed at Liuhua 29-1-1, approximately 43 kilometers to the northeast of the Liwan 3-1 field. In February 2010, the West Hercules drilling rig drilled the first delineation well on the Liuhua 34-2 discovery, which was abandoned without testing. In May 2010, the West Hercules drilling rig successfully completed the drilling and testing of the Liuhua 29-1-2 appraisal well.

  Following the drilling of the Liuhua 29-1-2 appraisal well, a new exploration well was drilled at Liwan 5-2-1 which did not encounter hydrocarbons and was plugged and abandoned. This was followed by the successful drilling of the Liuhua 34-3-1 exploration well in the third quarter of 2010 which encountered natural gas. The well is located about 24 kilometers northeast of the Liwan 3-1 field. Following the Liuhua 34-3-1 exploration well, Husky Energy drilled the Liwan 3-1-10 well, which is the first development well on the Liwan 3-1 field. This well was successfully cased and will be used as a future producing well.

The West Hercules drilling rig then drilled the Liuhua 29-1-3 appraisal well, the second appraisal well on the Liuhua 29-1 field, which has been cased for possible re-entry and development as a producing well in the future. The well was drilled approximately three kilometers north of the initial Liuhua 29-1 discovery. Initial results from the well were positive and demonstrate an extension of the Liuhua 29-1 field to the north. The West Hercules drilling rig then successfully drilled the Liwan 3-1-11 appraisal well with the aim of testing the eastern part of the Liwan 3-1 field. The well encountered a quality gas charged reservoir and was cased for future re-entry and completion as a production well. In December 2010, the West Hercules drilling rig completed the Liwan 3-1-9 development well and during the first quarter of 2011, it successfully drilled the Liwan 3-1-5, Liwan 3-1-6, Liwan 3-1-7 and Liwan 3-1-8 development wells.

In the third quarter of 2010, the PRC Government approved the Original Gas-In-Place ("OGIP") report for the Liwan 3-1 field, which was submitted in December of 2009. Husky Energy estimates that total petroleum initially in-place for Liwan 3-1 field is in the range of 2.6 to 3.0 trillion cubic feet of gas.

In early December 2010, Husky Oil China Ltd. signed a Heads of Agreement with CNOOC which specifies key principles of the joint venture to fund, develop and operate the Liwan 3-1 deep -water gas field, shallow water and onshore gas processing facilities. In September 2011, Husky Energy sanctioned the development of the principal fields of the Liwan Gas Project, Liwan 3-1 and Liuhua 34-2, based on the Overall Development Plan ("ODP") for Liwan 3-1 which was submitted to the PRC Government authorities for regulatory approval. Regulatory approvals in relation to environmental matters and civil construction were received for the Liwan Gas Project in the fourth quarter of 2011. Laying of the shallow water pipeline from the onshore gas landing point toward the planned location of the central platform commenced in December 2011 and five kilometers of pipeline had already been laid at the end of 2011. Construction of the onshore gas plant is progressing. Project execution is now accelerating and proceeding on schedule towards planned first production in late 2013/early 2014.

The natural gas sale agreement has been executed for the sale of gas from the Liwan 3-1 field. The natural gas will supply the Guangdong Province natural gas grid from an onshore gas plant on Gaolan Island, Zhuhai. The ODP for the Liuhua 34-2 field is in preparation. The project is proceeding on schedule towards planned first gas delivery in late 2013/early 2014. The Liwan 3-1 and Liuhua 34-2 fields are expected to ramp up through 2014 with expected gross production rates above 300 million cubic feet per day. Development of the Liuhua 34-2 field is planned to proceed in parallel with and be tied into the development of the Liwan 3-1 field.

The plan of development for the Liuhua 29-1 field is targeted for submission in 2012 after appraisal drilling and evaluation work has been completed. Gas production from the Liuhua 29-1 field will share common gas processing and transportation infrastructure with the aforementioned fields. In the second quarter of 2011, Husky Energy successfully drilled the Liuhua 29-1-4 and Liuhua 29-1-5 appraisal wells. The wells encountered commercial quantities of gas and will be completed as production wells. The Liuhua 29-1 field is intended to be developed in an overlapping sequence to the development of the Liwan 3-1 and Liuhua 34-2 fields. In December 2011, the OGIP report for the Liuhua 29-1 gas field was approved by the PRC Government. Front end engineering design ("FEED") for the development of this field will commence in February 2012. The total project is expected to reach gross production of approximately 500 million cubic feet per day in the 2015 timeframe. Husky Energy has a 49% ownership interest in production from this block.

During the third quarter of 2011, Husky Energy drilled the Liuhua 32-1-1 exploration well and the Liwan 5-1-1 exploration well, both on Block 29/26. The Liuhua 32-1-1 well encountered a 26 meter interval of hydrocarbons. Well results are being evaluated to determine next steps. The Liwan 5-1-1 exploration well found hydrocarbons that were deemed non-commercial and the well was abandoned in October 2011.

On Block 63/05 in the Qiongdongnan Basin, 50 kilometers south of Hainan Island, processing of 2-D and 3-D seismic data has been completed. Husky Energy completed drilling the Yacheung 5-1-1 exploration well in the fourth quarter of 2011. The exploration well was drilled to a total depth of 3,620 meters; however, commercial hydrocarbons were not encountered and the well was plugged and abandoned. Husky Energy holds a 100% interest in Block 63/05, for which CNOOC has the right to participate up to 51%.

- White Rose and the Satellite Tie-Back Project:

  Analysis of results from the North Amethyst E-17 exploration well that was drilled in 2008 to the deeper Hibernia formation revealed 55 meters of net oil-bearing reservoir. The resources of the Hibernia formation will be further assessed by reservoir studies and future drilling at both the North Amethyst and White Rose fields.

  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. On May 31, 2010, first production was achieved at North Amethyst with one production well in operation and a water injection well that commenced operation in early June. A second production well was completed in early September 2010 with a second water injector completed and commencing production in January 2011. While further wells are expected to be drilled to sustain production, the field has now fully met its target production rate of 37,000 barrels per day. Drilling of the additional wells will continue through to 2013. During April 2010, Husky Energy completed the drilling of the H-14 delineation well in the south portion of the North Amethyst field. The data provided by this well will be used to optimise future well placement. At the end of 2011, the North Amethyst field had three production wells and three water injection wells on stream. During the fourth quarter of 2011, Husky filed an application to amend the development plan for North Amethyst to include the Hibernia reservoir.

  In 2012, Husky Energy plans to continue development drilling at North Amethyst and to drill an infill well at the main White Rose field to facilitate incremental oil recovery from this reservoir. The infill well will be completed in 2012. Husky Energy continues to evaluate the feasibility of a concrete wellhead and drilling platform for development of future resources in the White Rose region, including the full development of West White Rose. FEED and Pre-FEED contracts to support this work are expected to be awarded in the first quarter of 2012.

In November 2009, Husky Energy filed an amended development plan with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB") for a two-well pilot scheme at the West White Rose field. As part of its proposed staged development plan for West White Rose, Husky Energy received regulatory approval in August 2010 for a two-well pilot project to be drilled from the existing central drill center at the main White Rose field. It is expected that this well pair would provide additional information on the reservoir to refine development plans for the full West White Rose field. A production license was received in the fourth quarter of 2010 and one production well was drilled and cased in 2010. First production from the West White Rose two-well pilot program was achieved in September 2011 with completion of the E-18-10 production well in 2011. A supporting water injection well was drilled to total depth during the fourth quarter of 2011 and is expected to be completed in 2012. This pilot program will assist in refining the development plan for the full West White Rose field.

- Atlantic Region 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 continue to be evaluated for prospective drilling locations. In December 2008, the Mizzen exploration well located in the Flemish Pass Basin off the east coast of Newfoundland was spud and drilled to a total depth of 3,758 meters. The well encountered hydrocarbons and on September 15, 2009, an application was submitted to the C-NLOPB for a Significant Discovery License ("SDL"). During 2009 and into early 2010, Husky Energy carried out public consultations on its Environmental Assessment ("EA") process for future seismic activity offshore Labrador and commenced the EA process for potential seismic acquisition in the Sydney Basin, located between Newfoundland and Cape Breton, Nova Scotia. In February 2010, the C-NLOPB issued a SDL for the Mizzen project. In late 2010, Husky Energy was successful in acquiring a new SDL for the Mizzen prospect and exploration rights in three additional parcels of land in the C-NLOPB November land sale. The exploration properties are adjacent to other Husky land holdings in the Jeanne d'Arc Basin and Flemish Pass. The new SDL extends the previous Mizzen SDL awarded in February 2010. An appraisal well was drilled and completed in September 2011 and was expensed. Husky Energy holds 35% working interest in the Mizzen property.

  Husky Energy participated in a Statoil-operated exploration well at the Fiddlehead prospect south of Terra Nova in the fourth quarter of 2011. The results of the program are being evaluated. Husky Energy holds a 50% working interest in the well.

  In November 2009, Husky Energy was successful on a bid for the NL09-01 parcel in the Jeanne d'Arc Basin. This parcel consists of approximately 23,600 acres adjacent to the North Amethyst field. Husky Energy is the operator and holds a 72.5% interest in this exploration prospect.

  In June 2007, Husky Energy was awarded two adjacent exploration licenses for 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. Evaluation of a 7,000 kilometers 2-D seismic program acquired in the third quarter of 2008 on Blocks 5 and 7 was completed. Husky Energy is the operator and holds an 87.5% interest in these two blocks. Husky Energy also holds a 43.75% working interest in Block 6 where 3,000 kilometers of 2-D seismic was acquired in the third quarter of 2008. In November 2009, Husky Energy completed the acquisition of a 2,200 square kilometers 3-D seismic program over Block 5 and Block 7. Final processing of the 3-D seismic for Block 5 and 7 was completed in the first quarter of 2011. Geological and geophysical work to define well locations continues in the three blocks.

- The U.S.:

  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 U.S.'s Columbia River Basin in southeast Washington and northeast Oregon. The drilling of the Grey 31-21 well in the Columbia River Basin in Washington State was completed in 2009. The well yielded fresh water and only minor gas from the Oligocene aged sands. Husky Energy holds in excess of 1.7 million gross acres of largely gas prone tight sandstone reservoirs.

- Northwest Territories:

  On July 4, 2011, Husky Energy acquired the rights to two exploration blocks in the Mackenzie Valley area of the Northwest Territories covering 437,000 acres for a work commitment bid of C$188 million per license. Husky Energy will assess the hydrocarbon potential of the land over a term of five years with a potential term extension to nine years. During 2011, Husky Energy's Canol shale project received regulatory approvals for the construction and drilling operations of two vertical pilot wells. These vertical wells, which are expected to be drilled in the first quarter of 2012, are expected to generate valuable data to assess reservoir characterisation and resource scope.

In 2011, approximately 59% of Husky Energy's net earnings (before corporate expenses and intra-group eliminations) were generated by its upstream operations compared with 72% in 2010. Husky Energy's total gross production in 2011 averaged 312,500 barrels of oil equivalent per day compared with 287,100 barrels of oil equivalent per day in 2010. Husky Energy's upstream operations are primarily in Western Canada, the Atlantic region and offshore Mainland China and Indonesia. Substantially all of Husky Energy's production in 2011 was from Western Canada, offshore the east coast of Canada and offshore Mainland China. Crude oil and natural gas liquids gross production was 211,300 barrels per day in 2011 compared with 202,600 barrels per day in 2010. Natural gas gross production was 607.0 million cubic feet per day in 2011, compared with 506.8 million cubic feet per day in 2010. Husky Energy's upstream revenues in 2010 and 2011 were derived from its production of light, medium and heavy crude oil, bitumen, natural gas liquids, and from natural gas production and other natural gas related operations.

As of December 31, 2011, Husky Energy had total net proved reserves of crude oil and natural gas liquids and total net proved reserves of natural gas of approximately 697 million barrels and 1,932 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 Codification 932, "Extractive Activities — Oil and Gas" , issued by the Financial Accounting Standards Board in the U.S., as of December 31, 2011, on an after-tax basis, was approximately C$10,413 million.

Midstream Operations

Husky Energy's midstream operations provide strategic support for the upstream business, delivering operational excellence through safe and reliable performance. Husky Energy's midstream assets are located throughout Western Canada and connect with major North American transportation systems. These operations include commodity marketing and infrastructure assets, which consist of pipeline transportation, processing of heavy crude oil, storage of crude oil, diluent and natural gas, extraction of natural gas liquids from natural gas, cogeneration of electrical and thermal energy, and marketing of a wide range of petroleum-based products. Effective from 2011, Husky Energy commenced evaluating and reporting its upgrading activities as part of its downstream operations. As a result, upgrading was moved from the midstream segment to the downstream segment.

In 2011, approximately 10% of Husky Energy's net earnings (before corporate expenses and intra-group eliminations) were generated by its midstream operations compared with 14% in 2010.

Pipeline system — An important component of Husky Energy's heavy oil operations in the Lloydminster area is its 2,000 kilometers pipeline system, which is owned and operated by Husky Energy. The pipeline system is capable of transporting up to 710,000 barrels per day of blended heavy crude oil, diluent and synthetic crude oil 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. In 2010, Husky Energy commenced its pipeline commitment on the Keystone pipeline system which ships Canadian crude oil from Hardisty to Patoka, Illinois. As a result of Husky Energy's ongoing Keystone commitment, Lima refinery now has the option, depending on the economics, to access significant amounts of Canadian synthetic crude oil as part of its crude feedstock requirements. Husky Energy's project to construct a 300,000 barrel storage tank at the Hardisty terminal is on target to be in service in the first quarter of 2012. The tank will facilitate moving volumes from the Enbridge system to the Keystone pipeline system and will enhance Husky Energy's long term commitment to ship volumes on the Keystone pipeline.

Throughput in Husky Energy's pipeline systems averaged 559,000 barrels of oil per day in 2011. Husky Energy is a marketer of both its own and third-party production volumes of crude oil, synthetic crude oil, natural gas, natural gas liquids, sulphur and petroleum coke. Natural gas is marketed in Canada and the U.S. under both short-term and long-term arrangements. Husky Energy achieves efficient transportation of these products through the ongoing optimisation of its natural gas storage facilities and access to firm pipeline capacity. Sulphur and petroleum coke are marketed domestically and internationally.

Cogeneration — Husky Energy has a 50% interest in a 215 MW natural gas fired cogeneration facility at the site of the upgrader. This cogeneration plant was commissioned in December 1999. Electricity produced at the facility is being sold to Saskatchewan Power Corporation under a 25-year power purchase agreement effective in 1999. Thermal energy (steam) is sold to the upgrader. In February 2011, Husky Energy and its joint venture partner, TransAlta Cogeneration, L.P. agreed to sell the cogeneration facility to an indirect wholly-owned subsidiary of CKI and Power Assets. The sale was completed on April 1, 2011.

Husky Energy has a 50% interest in a 90 MW natural gas-fired cogeneration facility adjacent to the Rainbow Lake Gas Processing plant. The cogeneration facility produces electricity for sale into the Alberta electricity gird and thermal energy for the gas processing plant. Husky Energy manages a total natural gas storage of approximately 50 billion cubic feet.

Downstream Operations

Husky Energy's downstream strategic plan is focused on supporting heavy oil and oil sands production and making prudent reinvestments.

In 2011, earnings from downstream operations contributed approximately 31% of Husky Energy's net earnings (before corporate expenses and intra-group eliminations) compared with 14% of net earnings in 2010.

Lloydminster Heavy Oil Upgrader — Husky Energy owns and operates a heavy oil upgrading facility at Lloydminster, Saskatchewan. The upgrader processes blended heavy crude oil feedstock into a high-quality, lower sulphur synthetic crude oil, which is further refined into premium transportation fuels by refineries in Canada and the U.S.. The upgrader was commissioned in 1992 with an original design capacity of 46,000 barrels per day of synthetic crude oil. Current production is considerably higher than the original design rate capacity as a result of throughput modifications and improved reliability. The upgrader's current rated production capacity is 82,000 barrels per day of synthetic crude oil, diluent and off-road diesel. In 2011, throughput was 69,600 barrels per day compared with 65,400 barrels per day in 2010.

Lloydminster Asphalt Refinery — Husky Energy also owns and operates a refinery at Lloydminster, Alberta. This refinery processes heavy crude oil into asphalt products for use in road construction and maintenance and industrial asphalt products. A lighter distillate steam is also produced as feedstock for Husky Energy's upgrading operations. The refinery had an original design rate throughput capacity of

25,000 barrels per day. Debottleneck modifications have allowed Husky Energy to increase throughput capacity to 29,000 barrels per day. Refinery throughput averaged 28,100 barrels per day in 2011 compared with 27,800 barrels per day in 2010. Husky Energy markets a wide range of quality asphalt and paving products in Western Canada, Ontario, Quebec and the U.S.

Prince George Light Oil Refinery — Husky Energy owns a light oil refinery at Prince George, British Columbia. The 12,000 barrels per day refinery supplies approximately 20% of Husky Energy's refined product requirements. The refinery produces all grades of unleaded gasoline, seasonal diesel fuels, mixed propane and butane, and heavy fuel oil.

Lloydminster and Minnedosa Ethanol Plants — In September 2006, Husky Energy opened a 130 million litres per year ethanol plant at Lloydminster, Saskatchewan, and a year later in December 2007, Husky Energy completed construction of a 130 million litres per year ethanol plant at Minnedosa, Manitoba. In 2011, aggregate production from the two plants averaged 711,300 litres per day, compared with 619,700 litres per day in 2010.

Retail Marketing — Husky Energy has approximately 547 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 transport. 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. In 2010, Husky Energy successfully rebranded the newly acquired 98 additional retail outlets in the Southern Ontario region.

Lima Refinery — Acquisition of the Lima Refining Company closed on July 3, 2007. The Lima refinery has an atmospheric crude throughput capacity of 160,000 barrels per stream day. The refinery is located in Ohio between Toledo and Dayton and currently processes both light sweet crude oil feedstock sourced from the U.S. and Africa and since 2010, with the commissioning of the Keystone Pipeline system, Canadian synthetic crude. The refinery produces gasoline blend stocks, diesel, jet fuel, petrochemical feedstock and other by-products. Refinery throughput in 2011 averaged 144,300 barrels per day of crude oil compared with 136,600 barrels per day in the same period of 2010. The Lima refinery successfully completed a turnaround on the fluid catalytic cracker, coker and associated units in 2010. Several large safety, environmental, reliability and optimisation projects were also completed. The refinery continues to advance short term reliability and profitability projects and is evaluating a staged repositioning approach pending an improvement in the light/heavy crude differential outlook. Site construction has commenced on a 20,000 barrels per day kerosene hydrotreater to increase jet fuel production volume and improve fuel quality. The kerosene hydrotreater is expected to be operational in the first quarter of 2013.

Toledo Refinery — On March 31, 2008 (with an effective date of January 1, 2008), Husky Energy and BP completed a transaction that created an integrated North American oil sands business. The business comprises a 50/50 partnership to develop the Sunrise Energy Project, operated by Husky Energy, and a 50/50 limited liability company for the Toledo Ohio Refinery, operated by BP. The Toledo Refinery has an atmospheric crude throughput capacity of 160,000 barrels per stream day. Products include low sulphur gasoline, ultra low sulphur diesel, jet fuels, propane, kerosene and asphalt. Refinery throughput averaged 63,900 barrels per day (Husky Energy's share) of crude oil in 2011 compared with 64,400 barrels per day in 2010. Husky Energy and BP announced the sanction of the Continuous Catalyst Regeneration Reformer Project at the Toledo refinery in the first quarter of 2010. The project will improve the efficiency and competitiveness of the refinery by reducing energy consumption and lowering operating costs with the replacement of two naphtha reformers and one hydrogen plant with one 42,000 barrels per day continuous catalyst regeneration reformer system plant. During 2011, overall detailed engineering and procurement was completed and all major construction contracts were awarded. The Mechanical, Electrical and Instrumentation contract was awarded in the third quarter of 2011 and all heavy haul transports were completed and equipment was being installed in the field in the fourth quarter of 2011. An evaluation of the repositioning of the refinery to process bitumen from the first two phases of the Sunrise oil sands integrated project is underway. Due to the integrated nature of this project, progress will coincide with the upstream development requirements. The refinery continues to advance a multi-year program to improve operational integrity and plant performance while reducing operating costs and environmental impacts.

Corporate

Husky Energy is committed to ensuring adequate liquidity and financial flexibility to fund its growth and support dividend payments.

In February 2009, Husky Energy filed a debt shelf prospectus with the Alberta Securities Commission and the U.S. Securities and Exchange Commission. The shelf prospectus enabled Husky Energy to offer up to US$3 billion of debt securities in the U.S. until March 26, 2011. During the 25-month period that the shelf prospectus remained effective, debt securities have been offered in amounts, at prices and on terms which were determined based on market conditions at the time of sale. On May 11, 2009, Husky Energy issued US$750 million of 5.90% Notes due June 15, 2014 and US$750 million of 7.25% Notes due December 15, 2019. The Securities are unsecured, unsubordinated and rank equally with all of Husky Energy's other unsecured and unsubordinated indebtedness.

On December 21, 2009, Husky Energy filed an additional debt shelf prospectus with the Alberta Securities Commission enabling it to offer up to C$1 billion of Medium Term Notes in Canada until January 1, 2012. During the 25-month period that the shelf prospectus is effective, medium term Notes may be offered in amounts, at prices and on terms to be determined based on market conditions at the time of sale. On March 12, 2010, Husky Energy issued C$300 million of 3.75% Notes due March 12, 2015 and C$400 million of 5.00% Notes due March 12, 2020 under this shelf prospectus.

On November 26, 2010, Husky Energy filed a universal short form base shelf prospectus with applicable securities regulators in each of the provinces of Canada enabling it to offer up to C$3.0 billion of common shares, preferred shares, debt securities, subscription receipts, warrants and units in Canada until December 2012 (the "Canadian Shelf Prospectus"). During the 25-month period that this shelf prospectus is effective, securities may be offered in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement. On December 7, 2010, Husky Energy issued 11.9 million common shares for gross proceeds of approximately C$293 million under this shelf prospectus. On March 18, 2011, Husky Energy issued 12 million Cumulative Rate Reset Preferred Shares, Series 1 ("Series 1 Shares") for gross proceeds of C$300 million under this shelf prospectus. During the year ended December 31, 2011, Husky Energy declared dividends payable of approximately C$0.87 per Series 1 Share. An aggregrate of C$7 million was paid for the year ended December 31, 2011, and C$3 million, representing approximately C$0.28 per Series 1 Share, was payable as dividends on the Series 1 Share at December 31, 2011.

On June 13, 2011, Husky Energy filed a universal short form base shelf prospectus with the Alberta Securities Commission and the U.S. Securities and Exchange Commission enabling it to offer up to US$3.0 billion of common shares, preferred shares, debt securities, subscription receipts, warrants and units in the U.S. until July 13, 2013. On June 29, 2011, Husky Energy issued approximately 37 million common shares for gross proceeds of C$1.0 billion under the U.S. shelf prospectus and accompanying prospectus supplement in the U.S. and under the Canadian Shelf Prospectus in Canada.

In April, July and November 2011 and February 2012, Husky Energy announced that its board of directors had approved a quarterly dividend of C$0.30 per share on its common shares for the three-month periods ended March 31, 2011, June 30, 2011, September 30, and December 31, 2011 respectively. The dividends were paid on July 5, 2011, October 3, 2011, January 3, 2012 and April 2, 2012 to shareholders of record at the close of business on May 20, 2011, August 19, 2011, November 25, 2011 and March 6, 2012 respectively.

On March 19, 2012, Husky Energy agreed to issue US$500 million in senior unsecured notes in a public offering. The notes will bear interest at 3.95% and mature on April 15, 2022.

Telecommunications

Hutchison is one of the world's leading mobile telecommunications operators and one of the first operators in the world offering 3G services in Europe, Hong Kong, Indonesia and Australia under the brand name "**3**". The first full year of operations for Hutchison's 3G businesses was 2004, and these businesses have rapidly built up a customer base to over 31.6 million customers in eight countries as of March 28, 2012. HAT, a business unit of Hutchison, comprises operations in various countries offering 2G, as well as 3G services, which were previously held by HTIL (formerly a listed subsidiary of Hutchison).

Hutchison began its telecommunications business in Hong Kong in 1985 with the provision of analog mobile telecommunications services, and subsequently expanded into digital mobile telecommunications services. In Europe, Hutchison built and developed the highly successful Orange PCS network and took the company public before divesting its interest in 1999. In the U.S., 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 India Limited) ("Hutchison Essar"), which under the "**Hutch**" brand became one of the most successful operators in India. HTIL's indirect equity and loan 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 in 2007 for an aggregate cash consideration of approximately US$11.1 billion.

Hutchison's telecommunications division is currently composed of:

- listed subsidiary HTHKH (in which Hutchison currently holds an approximate 65.02% interest) comprising 2G and 3G mobile operations in Hong Kong and Macau and a fixed-line business in Hong Kong;

- 2G and 3G mobile operations in Indonesia and Vietnam and 2G GSM mobile operations in Sri Lanka; and

- **3** Group, comprising unlisted 3G businesses in Italy, the UK, Sweden, Denmark, Austria and Ireland, and an approximate 87.87% interest in HTAL, a listed subsidiary in Australia, which has a 50% interest in VHA.

HTHKH intends to leverage its experienced management team and proven track record of operating telecommunications businesses to grow the market share for these services and to increase the usage of the services being provided to customers in these sophisticated markets. HTHKH has established a fixed-line business customer base across various industries in Hong Kong, including banking and finance, education, shipping and logistics, accounting, legal and government sectors, and seeks to respond swiftly to customers' diverse needs with tailored and flexible solutions.

Hutchison continues to invest in the Indonesia, Vietnam and Sri Lanka markets, building new networks and growing its customer base organically. **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, **3** Group's focus is on a value creation opportunity relating to the conversion of the incumbents' 2G customers to 3G customers. **3** Group intends to continue to grow its businesses and remain profitable, as well as grow profitability 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. Hutchison will consider putting in place appropriate new capital structures, initially for the UK and Italy businesses, in order to place them in a self-financing position.

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
- Vodafone, one of the world's largest mobile telecommunications companies.

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 October 2004, HTIL was listed on SEHK and the New York Stock Exchange with Hutchison's principal 2G mobile telecommunications assets together with its 3G mobile telecommunications assets and fixed-line business in Hong Kong. In December 2005, Hutchison disposed of a 19.3% interest in HTIL to a strategic partner, Orascom Telecom. 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 on-market an additional 1.422% of HTIL's issued share capital. Hutchison's holding in HTIL was approximately 60.4% immediately prior to HTIL's privatization completed in May 2010.

On May 8, 2007, a subsidiary of HTIL completed the sale to a subsidiary of Vodafone of its entire indirect equity and loan interest in CGP, a company which held, through various subsidiaries, all of HTIL's indirect interests in the Indian mobile telecommunications operation, comprising Hutchison Essar and its subsidiaries. As a result of the sale, a pre-tax gain of approximately HK$69,343 million (US$8,890 million) was realized. On June 29, 2007, HTIL paid a special dividend to its then shareholders equal to HK$6.75 per share, or approximately HK$32,234 million (US$4,133 million). Certain of HTIL's group indebtedness was reduced following the sale. 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.

In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution *in specie* and listing on the Main Board of SEHK of the entire share capital of HTHKH, the holding company of HTIL's Hong Kong and Macau telecommunications operations. The spin-off became unconditional on May 7, 2009 and HTHKH was listed on the Main Board of SEHK on May 8, 2009. There was no dilutive effect on the then existing HTIL shareholders, who remained as shareholders of both HTIL and HTHKH immediately upon the completion of the spin-off.

On October 28, 2009, HTIL announced the completion of selling its subsidiary's entire shareholding in Partner Communications in Israel. The gain on disposal amounted to approximately HK$7,392 million.

HTIL was privatized by implementation of a scheme of arrangement with effect from May 24, 2010 and became an indirect wholly-owned subsidiary of Hutchison, which paid HK$2.2 per HTIL share, or approximately HK$4,199 million to the scheme shareholders.

Hutchison Telecommunications Hong Kong Holdings Limited

Overview

HTHKH operates mobile telecommunications services in Hong Kong and Macau, and a fixed-line operation in Hong Kong. HTHKH uses 2G GSM/PCS, 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. The services are marketed under the **3** brand in Hong Kong and Macau. The fixed-line operation provides services under the licensed **HGC** brand. From July 2010 onwards, HTHKH utilized **3ree Broadband**, a brand under **3** to promote mobile and WiFi services together with the residential fixed broadband, residential telephone lines and IDD services. In July 2011, HTHKH launched a "3Home Broadband" campaign to promote its residential fixed broadband service.

Based on the closing price of HTHKH's shares on SEHK on March 31, 2012, HTHKH had a market capitalization of approximately HK$15,851 million (approximately US$2,032 million).

On March 20, 2012, HTHKH announced its audited 2011 full year results. The key performance indicators for the year ended December 31, 2011 of HTHKH are as follows:

Location	Active Customer Base as of December 31, 2011			ARPU for Year Ended December 31, 2011		
	Total	Postpaid	Prepaid	Blended	Postpaid	Prepaid
	('000)	('000)	('000)	HK$	HK$	HK$
Hong Kong and Macau	3,505	1,998	1,507	151	244	20

(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 HTHKH's ownership percentage.

(5) All customer base numbers quoted are as of the last day of the period.

(6) The data relates to 2G and 3G services combined.

(7) The monthly ARPU is calculated as the total monthly spending during the period, divided by the average number of activated customers in that period, on a twelve-month basis.

Hong Kong and Macau Mobile

In Hong Kong and Macau, HTHKH provides 2G GSM dual band and 3G mobile telecommunication services, all under the **3** brand. HTHKH maintained its position as the leading mobile telecommunications operator in Hong Kong and, together with Macau, provided services to approximately 3.5 million active customers as of December 31, 2011.

HTHKH became Hong Kong's first 3G mobile telecommunication services provider in January 2004 using UMTS technology. Its 3G network covers over 99% of the population of Hong Kong and provides territory-wide HSPA+ coverage. HTHKH also offers GPRS technology using GSM frequencies in Hong Kong.

Following the award of a 3G license in Hong Kong in October 2001, HTHKH 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 ("MVNOs") and content/service providers.

In March 2011, HTHKH won the bid for one block of paired spectrum of 2 x 5 MHz in the 900 MHz spectrum band for the provision of mobile telecommunications services in Hong Kong.

In February 2012, HTHKH won the bid for one block of 30 MHz spectrum in the 2360-2390 MHz spectrum band for the provision of LTE services in Hong Kong.

HTHKH holds a unified carrier license ("UCL"), under which it currently operates:

- 2G (GSM) service in 900 MHz band (for a period of 15 years until November 2020);
- 3G (UMTS) service in 900 MHz band (for a period of 15 years until May 2026);
- 2G (GSM) service in 1800 MHz band (for a period of 15 years until September 2021);
- 3G (UMTS) service in 2100 MHz band (for a period of 15 years until October 2016); and
- LTE (TDD) service in 2300 MHz band (for a period of 15 years until March 2027).

Separately, under a 50/50 owned joint venture, Genius Brand Limited, HTHKH together with Hong Kong Telecommunications (HKT) Limited hold another UCL for the operation of broadband wireless access service in the 2500 MHz spectrum band (for a period of 15 years until March 2024). This service is planned to be deployed in early 2012.

Hong Kong Fixed-line

Hutchison's fixed-line operations in Hong Kong through Hutchison Global Communications Limited are grouped into:

- carrier business;
- corporate and business markets;
- residential market; and
- other operations.

The carrier business comprises: International Private Leased Circuit ("IPLC"); leased-line; data; and IDD services provided to telecommunications operators. The corporate and business markets represent mainly leased-line, voice, data, broadband and IDD services to large corporates as well as small and medium sized enterprises. The residential market includes the provision of voice, broadband and IDD services to local customers. Other operations include revenue from interconnection charges and data centers.

Hutchison Asia Telecommunications

Overview

HAT currently operates mobile telecommunication services in three markets in Asia: Indonesia, Vietnam and Sri Lanka. Hutchison uses 2G GSM, 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. The services are marketed under the **3** brand in Indonesia, the **Hutch** brand in Sri Lanka and the **Vietnamobile** brand in Vietnam.

The key performance indicators for this division are as follows:

	Customer Base as of December 31, 2011			ARPU December 31, 2011		
Location	**Total**	**Postpaid**	**Prepaid**	**Blended**	**Postpaid**	**Prepaid**
	('000)	**('000)**	**('000)**			
Indonesia . .	20,030	91	19,939	IDR8,857	IDR108,788	IDR8,383
Vietnam . . .	12,372	7	12,365	VND14,929	VND183,201	VND14,832
Sri Lanka . .	1,852	8	1,844	LKR71	LKR348	LKR70

(1) A customer is defined as a postpaid customer or a prepaid customer who has a SIM or 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.

(5) All customer base numbers quoted are as of the last day of the period.

Indonesia

Hutchison provides mobile telecommunications services in Indonesia through HCPT (formerly known as PT Cyber Access Communications) under a 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 expanded its network to cover most of the major towns on the islands of Java, Bali, Lombok, Batam, Sumatra, Sulawesi and certain cities of Kalimantan. As of December 31, 2011, HCPT had over 20 million users.

HCPT is continuing to build its nationwide wireless network and has engaged PT Huawei Tech Investment and Huawei Technologies Co. Ltd (together "Huawei") for the majority of the network deployment. In September 2009, HCPT, entered into (i) a conditional network expansion procurement agreement with Huawei for procuring the supply of equipment, infrastructure, system and services, and (ii) a conditional network expansion managed services agreement with Huawei for provision of planning, designing, dimensioning, integration and other managed services. In April and August 2011, HCPT entered into two conditional network expansion procurement agreements with Huawei to purchase further supply of equipment, infrastructure, system and services for the expansion of its network.

On March 18, 2008, HCPT entered into a conditional Tower Transfer Agreement to sell up to 3,692 base station tower sites to Protelindo for a cash consideration of US$500 million (HK$3,882 million). Completion of the sale occurred in tranches over a two-year period. During 2008, the sale of Tranche 1 and 2, totaling 2,248 sites, was completed whereby HCPT recognized a gain of US$60 million (HK$465 million) from the sale. During 2009, 969 sites were sold whereby HCPT recognized a gain of US$34 million (HK$268 million). The sale of the remaining tranches was completed in 2010 whereby HCPT recognized a gain of US$24 million (HK$185 million).

Vietnam

In Vietnam, Hutchison engaged 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. HTIL launched the new GSM service on April 9, 2009 under the **Vietnamobile** brand and via a nationwide network with presence in all provinces.

In November 2011, the Vietnam operation launched its 3G services in three major cities in Hanoi, Ho Chi Minh and Da Nang.

Sri Lanka

Hutchison holds a 100% equity interest in Hutchison Telecommunications Lanka (Private) Limited ("Lanka"), which holds one of the five nationwide mobile telecommunications licenses in Sri Lanka. Lanka launched full GSM services under the **Hutch** brand in May 2004.

Lanka acquired a 3G license in July 2011 and service is expected to be launched in the second quarter of 2012.

3 Group

Overview

Hutchison's **3** Group includes the 3G mobile telecommunications businesses in Italy, the UK, Sweden, Denmark, Austria, Ireland and Australia. Hutchison's 3G businesses became operational in the first half of 2003. As of March 28, 2012, Hutchison's 3G operations (including HTHKH's 3G operations) had over 31.6 million 3G customers worldwide.

Competitive 3G networks have been established in major European markets. Hutchison believes the entry of competing 3G networks has been beneficial to **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, **3** Group is continuing to look towards the development of new services. Currently, **3** Group continues to upgrade its networks to the HSDPA/HSUPA mobile broadband standard, which increases the data throughput capability and speed.

With the upgrade 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. 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.

3 Group is continuing to enhance customer experience and satisfy the increasing demand in speed and quality. Certain operations of **3** Group are currently in the process of upgrading their networks to LTE or LTE-enabled capabilities to ensure that their service quality meets market demands.

To help further maximise the customer experience with **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 **3** Group's extensive range of mobile handsets including **3** Skypephones.

Key Business Indicators ("KBIs")

The KBIs for the 3G businesses of **3** Group and HTHKH as included in Hutchison's 2011 annual report are as follows:

	Customer Base					
	Registered Customers at March 28, 2012 ('000)			Registered Customer Growth (%) from December 31, 2010 to December 31, 2011		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
UK	3,600	4,619	8,219	20%	17%	18%
Italy	5,644	3,595	9,239	-1%	5%	1%
Sweden	155	1,258	1,413	—	14%	12%
Denmark	170	637	807	86%	11%	21%
Austria	396	1,025	1,421	39%	19%	24%
Ireland	509	334	843	27%	34%	30%
Australia(1)	2,728	4,218	6,946	-16%	—	-7%
3 Group Total	13,202	15,686	28,888	2%	9%	6%
Hong Kong and Macau(2)	959	1,765	2,724	67%	13%	27%
Total	14,161	17,451	31,612	5%	9%	7%

	12-month Trailing Average Revenue per Active User ("ARPU")[3] to December 31, 2011					
	Total				Non-voice	
	Prepaid	Postpiad	Blended Total	% Variance compared to December 31, 2010	ARPU	% of total ARPU
UK	£8.05	£28.61	£21.87	-3%	£10.19	47%
Italy[4]	€8.22	€31.25	€19.86	-14%	€8.34	42%
Sweden	SEK100.99	SEK325.17	SEK307.82	—	SEK126.42	41%
Denmark	DKK150.99	DKK283.96	DKK263.68	-9%	DKK139.76	53%
Austria	€10.73	€23.50	€22.35	3%	€11.43	51%
Ireland	€16.88	€36.84	€30.96	22%	€17.94	58%
Australia[5]	A$27.73	A$66.33	A$51.34	-5%	A$21.31	42%
3 Group Average[4]	€12.73	€37.13	€28.27	-4%	€12.41	44%
3 Group Average[4] (with FX impact)	€12.36	€36.27	€27.59	-6%	€12.13	44%

Note 1: Active customers (including customers of MVNOs) at December 31, 2011 as announced by listed subsidiary HTAL, updated for net additions to March 28, 2012.

Note 2: Active **3** Group customers at December 31, 2011 as announced by listed subsidiary HTHKH, updated for net additions to March 28, 2012.

Note 3: ARPU equals total monthly tariff revenue divided by the average number of active customers during the period, where an active customer is one that has generated revenue from an outgoing call, incoming call or 3G services in the preceding three months.

Note 4: For comparability purposes, the reported ARPU for Italy and the **3** Group Average in 2010 have been restated to reflect the reduction of incoming mobile termination rates from €11 cents to €9 cents, effective from July 1, 2010 due to an adverse court ruling by the Italian State Council.

Note 5: ARPU (excluding ARPU from MVNOs) at December 31, 2011 as announced by listed subsidiary HTAL.

The total customer base grew from approximately 670,000 at the end of 2003 to a total of over 31.6 million as of March 28, 2012. **3** Group's ARPU on a 12-month trailing average active customer basis decreased from €29.50 at December 31, 2010 (as restated) to €28.27 at December 31, 2011, while the proportion of non-voice ARPU increased from 41% of total ARPU at the end of 2010 to 44% at the end of 2011. Excluding the effect of the depreciation of the Euro against other European currencies and the Australian dollar, ARPU decreased 6%, compared to the restated full year 2010 ARPU, to €27.59 at December 31, 2011.

Italy

Hutchison's subsidiary **3** Italia commenced offering full commercial services in 2003 under the **3** brand name. **3** Italia's customer base increased 1% as at December 31, 2011 compared to the start of 2011, and totals over 9.2 million as of March 28, 2012. Revenue for the year ended December 31, 2011 increased 3% compared to the year ended December 31, 2010. **3** Italia reported an EBIT positive result of €6 million for the year ended December 31, 2011, decrease of 94% from the comparable EBIT of € 96 million in 2010. EBIT for 2011 included a one-time net gain of €41.1 million (approximately HK$457 million), comprising a benefit of €166.0 million (approximately HK$1,843 million) relating to two blocks of 5 MHz of 1800 MHz spectrum assigned to **3** Italia in 2010, as a result of favorable changes in the license terms in 2011, partially offset by a write-off of €82.7 million (approximately HK$917 million) due to an adverse court ruling by the Italian State Council resulting in a reduction of the incoming mobile termination rates from €11 cents to €9 cents effective from July 1, 2010 and certain one-off provisions amounting to €42.2 million (approximately HK$469 million). The write-off of €82.7 million comprises €40.7 million (approximately HK$451 million) related to the second half of 2010 and €42.0 million (approximately HK$466 million) for the first six months of 2011.

3 Italia holds one of four licenses to operate a national 3G network in Italy. Hutchison's shareholding partner in **3** Italia is Private Equity International 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%.

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. Pursuant to Article 1-*bis* of Law No. 40/07, licensed operators may apply for an extension of the license period for up to an additional 15 years. **3** Italia applied for an extension and a formal decree was issued on May 6, 2009, giving **3** Italia an extension for an additional eight years and confirming the right to apply for a further extension for an additional seven years after filing a relevant business plan. In addition to these extensions, **3** Italia may apply for renewal of the license for a period equal to the prior license period such that the license effectively has an indefinite useful life. The renewal procedure is on a request basis with minimal filing requirements and the costs associated with the renewal procedure, which is expected to be an immaterial amount, will be determined upon the application for renewal. In May 2010, **3** Italia was awarded an additional 5 MHz of radio spectrum at 900 MHz for providing 3G mobile telecommunications services using the UMTS/IMT-2000 standard. The spectrum, originally dedicated to 2G operators, has been made available to **3** Italia in different tranches from November 2011 to December 2013. The duration of such spectrum is in line with the one originally obtained.

In October 2010, **3** Italia was granted the right of use to two blocks of 5 MHz in the 1800 MHz frequency band spectrum license which **3** Italia was entitled to under AGCom Resolution 541/08/CONS and 282/11/ CONS. Final award of this license to **3** Italia is expected to take place by mid-2012. The duration of such license is 18 years with the possibility of renewal.

In October 2011, **3** Italia was granted the right of use to one 5 MHz block (paired) in the 1800 MHz frequency band spectrum license, two 15 MHz block (unpaired) in the 2600 MHz frequency band spectrum license and two 5 MHz block (paired) in the 2600 MHz frequency band spectrum license for delivering LTE capabilities. The duration of such license is 18 years with the possibility of renewal.

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 was built by Siemens-NEC. In March 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. The terms of this agreement were amended in May 2009, effective as of July 2009. In addition to this, in May 2009, Ericsson and **3** Italia entered into a commercial contract (the "Ericsson Network Supply Agreement") to develop a broadband network for mobile communications and related services. The Ericsson Network Supply Agreement extends the existing managed service agreement for Ericsson to manage **3** Italia's network and related infrastructure and covers the modernization of the WCDMA/HSPA network, including the optical and radio transmission, data charging, systems and multimedia platforms, for a period of seven years. **3** Italia has an agreement with Telecom Italia S.p.A. ("Telecom Italia") for domestic roaming, which allows **3** Italia to offer its customers GSM and GPRS services using the Telecom Italia network in areas not covered by the **3** Italia UMTS network. In July 2009, **3** Italia entered into a "tower sharing" agreement with Telecom Italia which discipline the reciprocal sharing of sites and relative infrastructures. In July 2010, **3** Italia entered into a similar "tower sharing" agreement with Vodafone.

In addition, **3** Italia has implemented a network upgrade program to rollout HSDPA on the entire network and has completed the upgrade with a 3.6 Mbps downlink speed. Further HSDPA upgrades to higher speeds, together with HSUPA implementations in all major cities, are progressing well. Additional upgrade of the network to support the growing data traffic volume started subsequent to June 2010 and has now been completed.

In June 2010, **3** Italia entered into a seven-year agreement, effective from July 2010, with Ericsson and Hewlett-Packard for the outsourcing and modernization of its data centers.

In December 2011, **3** Italia entered into an agreement with Ericsson for a period of 5 years to extend its existing managed services agreement and to upgrade its network coverage and certain parts of its network to LTE standards.

In November 2005, **3** Italia entered into an agreement with Profit Group for the acquisition of Channel 7 which held a license for the operation of a national digital TV terrestrial network. Following the implementation of regulations by AGCOM of Digital Video Broadcast to Handheld ("DVB-H") networks, **3** Italia deployed a DVB-H network. In June 2006, **3** Italia commenced commercial testing of the services, and in September 2006 began offering mobile Pay-TV and interactive services for videophones with combined UMTS/DVB-H capability. **3** Italia became the first Italian mobile video company to offer DVB-H services on its own network. In December 2010, on the basis of its license for the operation of a national digital TV terrestrial network, **3** Italia took the decision to transform its DVB-H network into a Digital Video Broadcasting Terrestrial ("DVB-T") network so that it could use this capacity for the provision of Digital Terrestrial Television services in Italy. In December 2010, **3** Italia entered into an agreement with a leading broadcaster in the Italian TV market ("Partner"), under which Partner converted the DVB-H network to a DVB-T network. As part of this agreement, **3** Italia leased Partner bandwidth on its multiplex in order to broadcast its TV channels and Partner agreed (through its subsidiary) to operate and maintain the DVB-T network during the term of the lease. **3** Italia was granted a provisional DVB-T authorization by the Ministry of Economic Development - Communications, which was subsequently withdrawn in December 2011. **3** Italia has appealed this decision, and in the meantime the Government is considering proposed changes to the Communications Code which are currently published on the Ministry website which should clarify that network operators may change the technology used for broadcasting frequencies subject only to limited grounds to deny such right.

In July 2009, H3G S.p.A. entered in a commercial and export financing facility linked to the Ericsson Network Supply Agreement for a total amount of approximately €520 million. As of December 31, 2011, H3G S.p.A. has drawn down approximately €380 million and has repaid €67 million under this commercial and export financing facility.

In December 2009, **3** Italia refinanced a €3,000 million existing bank loan through a new syndicated banking facility of approximately €1,000 million, maturing in 2013 and fully drawn in 2009. This was subsequently repaid early in January 2012.

UK

3 UK commenced offering full commercial services in 2003. The customer base at December 31, 2011 grew by 18% from the start of 2011 and totals over 8.2 million customers at March 28, 2012. Total revenue for the year ended December 31, 2011 increased 14% compared to 2010. **3** UK reported a 16% increase in EBITDA to £191 million and full-year EBIT positive results of £30 million for the year ended December 31, 2011, a 299% turnaround from the comparable LBIT before one-off gains in 2010. Including 2010's one-time net gain of £189 million, net of provisions, EBIT in 2011 decreased 83%.

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 was due to expire 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. In December 2010, the UK Houses of Parliament approved a statutory instrument giving directions to OFCOM to, *inter alia*, amend the UMTS license terms such that it becomes indefinite lived with an annual fee to be charged from 2022 when the initial license term expires. **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 97%.

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. This agreement provides coverage to 99% of the UK population.

In December 2007, **3** UK & T-Mobile UK Limited ("TMUK") entered into a network sharing arrangement. The arrangement has resulted in an accelerated roll-out of a more expansive 3G network which was materially completed in 2011 and has delivered over 97% outdoor coverage of the UK population. The arrangement has generated significant cost benefits for **3** UK, the first full year of which will be realized in 2012.

On March 1, 2010, the merger between Orange Personal Communications Services Limited and TMUK was cleared by the European Commission, creating a new entity called Everything Everywhere ("EE"). As part of the negotiations surrounding this merger, the original network share agreement with TMUK was updated during 2010 in order to provide **3** UK with certainty that the shared network arrangement would not be terminated by EE and that **3** UK's use of the shared network would not be affected in any way. In addition, the updated agreement has given **3** UK the right to use, at no cost, 3G capability on an additional 3,000 sites in the UK, which had not been previously accessible to **3** UK.

3 UK continues to expand its HSDPA services and continues to have the largest HSDPA network in the UK.

3 UK has also signed numerous content agreements to support its product portfolio. 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 319 stand-alone stores and 19 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 TMUK. 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).

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 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. As of March 31, 2012, Hutchison had an approximate 87.87% interest in HTAL.

In June 2007, HTAL completed a 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. Following the merger of H3GA and Vodafone Australia Ltd., all the convertible preference shares were converted into ordinary shares on June 24, 2009.

On October 12, 2007, Hutchison, HTAL, Telecom Corporation of New Zealand Limited ("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 was 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%. As mentioned earlier, upon conversion of the convertible preference shares on June 24, 2009, Hutchison's interest in HTAL was increased to approximately 87.87%.

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 800 MHz spectrum in the capital cities of Adelaide, Brisbane, Darwin, Hobart and Perth and regional areas, which complements HTAL's existing 800 MHz spectrum in Melbourne and Sydney. The option lapsed on December 31, 2008.

On June 10, 2009, HTAL announced that the merger of its operating subsidiary, Hutchison 3G Australia Pty Ltd ("H3GA") and Vodafone Australia Limited ("VAL") had been completed. As a result of the merger, H3GA acquired 100% of VAL and issued shares to subsidiaries of Vodafone resulting in the Vodafone entities holding 50% of the H3GA shares. H3GA has been renamed VHA. Utilizing existing network arrangements and planned network build, VHA's customers have access to advanced and comprehensive mobile networks with at least 96% population coverage having access to high speed 3G services.

On October 21, 2010, VHA announced that their 2004 radio access network sharing joint venture with Telstra Corporation for the shared 2100 MHz 30 network (known as the 30IS network) will terminate in 2012. The 30IS network will continue to operate normally until 2012. Following the termination of the agreement, VHA will incorporate its share of the network assets and spectrum from the 2100 MHz network into other networks that it operates.

HTAL announced the customer base as at December 31, 2011 declined by 7% from the start of 2011, and totals over 6.9 million customers at March 28, 2012. Announced revenue and EBITDA for the year ended December 31, 2011 decreased 5% and 34% respectively compared to 2010. HTAL announced a loss attributable to shareholders of A$168 million for 2011, compared to a profit attributable to shareholders of A$73 million in 2010. The reported results were adversely affected due to the network performance issues in late 2010 and early 2011.

The major priority for VHA during 2011 was delivering an improved network experience for both voice and data. To achieve this, the Vodafone network plans announced in October 2010 were accelerated. These plans included upgrading the current network to provide more capacity and coverage, building a new 30 850 MHz network, replacing network equipment across all sites and installing equipment ready for 40 technology, and core network and transmission upgrades.

The combination of the benefits from utilization of the 850 MHz low band spectrum, the network upgrade project and the rapidly expanding equipment replacement program means the network performance metrics have improved across a range of measures, including speed and coverage.

As at February 24, 2012, 1,040 sites are live in the new 30 850 MHz network and 4,114 sites in the existing network have been replaced with new equipment. It is anticipated that by the middle of 2012, there will be 1,500 live sites in the new 30 850 MHz network and all required sites are expected to have been replaced with new equipment by the end of the third quarter of 2012.

Scandinavia

Hutchison has a 60% interest in Hi3G Access, which owns and operates 3G mobile telecommunications networks in Scandinavia. Investor AB (publ), one of the diversified industrial holding companies in Sweden, owns the remaining 40% interest.

The 3G businesses in Scandinavia comprise operations in Sweden and Denmark. 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.

In Sweden, the customer base grew 12% from the start of 2011 to total over 1.3 million at December 31, 2011. Total revenue for the year ended December 31, 2011 increased 41% as compared to 2010. EBITDA improved 187% to SEK1,766 million for the year ended December 31, 2011, while EBIT of SEK1,171 million was a turnaround from an LBIT of SEK4 million last year. Both EBITDA and LBIT reported in 2010 included a provision of SEK110 million for the costs of withdrawing from the Norwegian market. Excluding all Norwegian market exit related costs in both years, EBIT increased 961%.

In Denmark, the customer base grew 21% from the start of 2011 to over 792,000 at December 31, 2011. Total revenue for the year ended December 31, 2011 increased 18% as compared to 2010. EBITDA of DKK595 million and EBIT of DKK360 million increased 68% and 205% respectively from 2010 mainly due to the growth in customer base as well as improved margins.

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 of up to 14.4 Mbps. Hi3G Access has also completed the upgrade of its home networks to provide HSUPA capability with uplink speeds of 1.4 Mbps and has rolled out 21 Mbps downlink speed in selective areas. 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.

Hi3G Access currently offers 42 Mbps speed in both Sweden and Denmark and the roll-out of 4G/LTE that is ongoing in both countries will further improve both speed and coverage of the networks.

Recently, an independent mobile network test in Sweden ranked Hi3G Access as the preferred choice in mobile data for the fifth consecutive year in a row. In addition, Hi3G Access also ranked as the leading provider of voice coverage in Sweden's three main cities as well as central Sweden.

During 2011, the 900 MHz spectrum was deployed in Sweden, which will significantly improve coverage. During 2010 and 2011, Hi3G Access was awarded several new licenses in both Sweden and Denmark. In 2010, Hi3G Access was awarded 2.6 GHz and 2.5 GHz spectrum in Denmark. In 2010, Hi3G Access also acquired 900 MHz spectrum and 1.8 GHz spectrum in Denmark. In 2011, Hi3G Access acquired 2.6 GHz spectrum in Sweden from Intel and was also awarded a 800 MHz license in Sweden. All new license investments will further support the continued growth in customer base and mobile data usage.

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 then outstanding shareholders' loans. In 2009, the loan was refinanced by a SEK10,500 million syndicated bank loan maturing in December 2012.

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 originally until December 31, 2015 but which has been subsequently extended to 2025. The license was awarded after the Swedish Government's assessment of the merits of the applicants and no license fee is payable by Hi3G Access. Hi3G Access commenced offering full commercial services in Sweden in early 2004 under the **3** brand name.

In May 2008, Hi3G Access purchased a license from the PTS for a further 10 MHz of paired spectrum for the 3G band extension. In 2011, Hi3G Access purchased a 4G 2.6 GHz spectrum TDD license from Intel and was also awarded a technology neutral 800 MHz license at a national auction.

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, Orange SA withdrew from the 3GIS network joint venture. 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.

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 did not have 3G coverage. This agreement was terminated by Hi3G Access in 2011.

Denmark

In September 2001, 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, the final installment for which was paid in 2011. 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.

In 2010, Hi3G Denmark acquired 2 X 10 MHz and 25 MHz (TDD) in the 2.6 GHz band, 2 X 5 MHz in the 900 MHz band and 2 X 10 MHz in the 1,800 MHz band. All new licenses will be used for LTE.

Norway

In September 2003, Hi3G Access Norway AS ("Hi3G Norway"), a wholly-owned subsidiary of Hi3G Access, 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.

As a sustainable business plan for the Norwegian market had not been identified, Hi3G Norway relinquished the 3G license in early 2011 and ceased its operations in Norway.

Austria

Hutchison's wholly-owned subsidiary, **3** Austria, is one of four companies licensed to operate a national 3G network in Austria. Its 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 as well as 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. In September 2010, **3** Austria acquired additional licenses for 2 x 20 MHz paired and 25 MHz unpaired radio spectrum services (all expiring on December 31, 2026) to offer next generation LTE services.

The customer base grew by 24% from the start of 2011 to total over 1.3 million at December 31, 2011. Total revenue for the year ended December 31, 2011 increased 6% as compared to 2010. EBITDA of €36 million and EBIT of €2 million decreased 53% and 50% respectively as compared to 2010 due to a one-time marketing contribution of €56 million in 2010. Excluding the one-time contribution, total revenue, EBITDA and EBIT increased 30%, 73% and 103% respectively compared to 2010.

3 Austria has constructed 3G network cell sites with a focus on the major cities including Vienna, Graz, Innsbruck and Linz. **3** Austria met the license requirement to roll out and maintain its network to provide at least 50% population coverage by December 31, 2005. In April 2006, **3** Austria engaged Siemens (subsequently merged into Nokia Siemens Networks ("NSN")) to construct and operate the extension of **3** Austria's 3G network into the rural areas of Austria. During the first quarter of 2010, the rural rollout was completed, providing population coverage of 94%. The extended 3G network enabled **3** Austria to realize savings in domestic roaming costs and provided an improved basis for the marketing of mobile broadband services in Austria. In order to provide nationwide basic voice and data services, a national roaming agreement was signed with incumbent operator, A1 Telekom Austria (formerly Mobikom Austira) offering approximately 98% population coverage.

In December 2010, **3** Austria signed a Sale and Purchase agreement selling defined assets of the 3G network to BVPenintadio Beteiligungsverwaltung GmbH ("BVPenintadio"). Subsequently, **3** Austria entered into an operating lease agreement with BVPenintadio to lease back the network assets. BVPenintadio has appointed ZTE to operate, modernize and upgrade the network.

During 2011, **3** Austria completed the HSDPA upgrade of its existing network. Taking advantage of the enhanced network's data transmission speeds, new wireless broadband access products were launched, enabling **3** Austria to achieve substantial growth within this customer segment.

In November 2011, **3** Austria successfully launched LTE services enabling the company to provide its customers with transfer rates of up to 100 Mbit/second.

In December 2011, an additional national roaming contract with T-Mobile Austria was signed. The agreement provides nationwide 2G and 2.5G voice and data roaming to **3** Austria, and 3G national roaming to T-Mobile Austria for areas above 75 % population coverage not covered by T-Mobile Austria.

In February 2012, **3** Austria entered into a binding agreement to acquire 100% interest in Orange Austria and the simultaneous onward sale of the Yesss! brand and certain other assets to Telekom Austria Group. The net consideration payable by **3** Austria for Orange Austria after the sale of Yesss! and other assets will be €0.9 billion. The completion of the acquisition and onward sale will be subject to, amongst others, the approval by the relevant regulatory and antitrust authorities. The completion of both the acquisition and the onward sale will in each case be inter-conditional on and simultaneous with completion of the other.

Ireland

3 Ireland commenced commercial services in November 2005. The customer base grew by 30% from the start of 2011 and totals over 0.8 million customers at March 28, 2012. Total revenue for the year ended December 31, 2011 increased 53% to €150 million compared to the prior year. LBITDA and LBIT for the year ended December 31, 2011 improved 50% to €28 million and 31% to €54 million respectively compared to 2010 as a result of the growth in the customer base, improved gross margins and tight cost controls.

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, and an 80% population coverage by June 30, 2007, both of which were achieved. **3** Ireland continues to roll out its network. At December 31, 2011 there were 1,217 cell sites in operation with footprint coverage of over 97% of the population and over 99.5% coverage via a 2G national roaming agreement with Vodafone Ireland Limited.

During 2006, **3** Ireland launched its HSDPA enabled network in Dublin city and is continuing to invest in its network. In 2010, **3** Ireland announced the first commercial deployment in the world of a voice and data I-HSPA network.

In December 2008, **3** Ireland was awarded a contract under the NBS to roll out a HSDPA-enabled network to provide broadband access services to areas in Ireland where customers are currently unable to access the Internet. **3** Ireland will have full ownership and operation of this network and access to its customers and has received all contractual milestone-based subsidy payments from the Irish Government to date. In December 2010, **3** Ireland successfully completed the NBS rollout with all 1,028 (100%) of the Electoral Districts now live, and 390 new sites deployed by February 2011.

In order to support its retail distribution, **3** Ireland has entered into agreements with major high street retailers, including Carphone Warehouse, to sell its products and services. At the same time, **3** Ireland is also building its own retail distribution channels, having purchased eight stores in 2006. In 2007, **3** Ireland 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 and 2009, **3** Ireland opened an additional five stores. As at December 31, 2011 there were 28 retail outlets. In addition, **3** Ireland has launched 18 retail points of presence called "**3** Spots", which are independently owned and operated stores which only retail "**3**" products and services. At the end of 2009, **3** Ireland signed an agreement with Irish distributor BPI Telecom which increased its retail presence by more than 60 outlets.

3 Ireland continually challenges the market. In 2008, it was the first player in the Irish market to launch prepay mobile broadband and a new hybrid tariff called "Best of Both". Prepay mobile broadband addresses the growing customer demand for flexible mobile Internet access, while the "Best of Both" tariff offers customers the combined benefits of postpay rates and tariffs with the additional flexibility of prepay top-up as required. In 2010, **3** Ireland launched new 18 month smartphone tariffs to support the significant growth in data services on mobile devices and later launched 24 month contracts. In August 2011, **3** Ireland successfully launched a new prepaid tariff offering unlimited data and in October 2011 launched the iPhone 4S. During 2011, **3** Ireland continued to expand its range of business tariffs aimed at the SME and sole trader market segments.

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 ("EU Framework"). A revised EU Framework came into force on May 25, 2011. It amends the previous EU Framework that had been in place since July 2003 but largely follows the same general approach.

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 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 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 may only impose remedies on operators in identified markets if they have significant market power ("SMP").

NRAs also have powers to determine interconnection disputes whether or not an SMP designation has been made. In the UK, in 2009, BT issued new termination rates for calls from mobile phones to specified number ranges within BT's fixed line network, based on a ladder pricing model. The applicable rate varied according to the individual operator's retail rates (i.e. linking level of wholesale termination rates to retail rates by their customers for these calls). The ladder pricing model was appealed and the Competition Appeal Tribunal's ("CAT's") judgment was handed down on August 1, 2011 requiring the mobile network operators ("MNOs"), including **3** UK, to make payments to BT in accordance with the ladder pricing model on a historic and ongoing basis. **3** UK and others have appealed this judgment.

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 (such as has occurred in Denmark and is under preliminary assessment by the Irish NRA, ComReg).

3 (as well as each of the incumbent MNOs) has been designated as having SMP in the UK, Ireland, Austria, 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:

- OFCOM issued a statement in March 2011 designating all four national MNOs (including **3** UK) as each having SMP with respect to the termination of voice calls to their network (i.e., within their allocated number ranges), and imposing price controls on them. The price control (which was recently modified in October 2011) has reduced the maximum MT Rate charged by **3** UK from 4.480 pence per minute for the period from April 2010 to March 2011 to 0.72 pence per minute (subject to retail price indexing) in the period from April 2014 to March 2015. OFCOM's March 2011 statement was appealed to the CAT, which referred the price control matters to the UK Competition Commission ("CC") for determination. The CC handed down its findings in February 2012, broadly upholding the March 2011 statement. The CC determination has been appealed by Vodafone and EE, and a final judgment of the CAT is expected within a matter of weeks and subject to further appeal on limited grounds; and

- the Italian NRA ("AGCOM") designated H3G S.p.A. as having SMP in 2005 but did not impose a price control until 2008. On November 26, 2008 AGCOM approved a glide path for a reduction in the MT Rates of all Italian MNOs over the period commencing from July 2009. H3G S.p.A's MT Rate has been controlled down to 11 eurocents per minute from July 1, 2009, to 9 eurocents per minute from July 1, 2010, to 6.3 eurocents per minute from July 1, 2011 and to 4.5 eurocents per minute from July 1, 2012. AGCOM has issued another decision to change the glide path whereby the MT Rates will reduce to 3.5 eurocents per minute from July 1, 2012, to 1.7 eurocents per minute from January 1, 2013 and to 0.98 eurocents per minute from July 1, 2013, with the possibility of further reductions thereafter. H3G S.p.A has appealed this decision.

On May 7, 2009, the Commission adopted a recommendation (the "Recommendation") to harmonize the way NRAs determine the price controls on MT Rates. The Recommendation sets out a common methodology for calculating the cost of mobile termination that would lead to lower MT Rates by the deadline of December 31, 2012. In its announcement of the Recommendation, the Commission referred to expected MT Rates of between 1.5 and 3 eurocents per minute, compared to the average in Europe at that time of 6.39 eurocents per minute. The Recommendation also proposes that all operators in a national market should have the same termination rate within the same timeframe. Many NRAs are now consulting on future MT Rate price controls following this Recommendation. Data collected by the NRAs show the average MT Rate in Europe as at July 1, 2011 was 3.98 eurocents.

Separately, there is an EU Regulation that sets price controls on international roaming charges and an amended GSM 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 Regulation has since been amended, resulting in the extension of the duration of the price controls to June 30, 2012, and further reduction in the maximum permitted wholesale and retail prices for voice roaming (progressively down to 18 eurocents per minute for wholesale voice roaming as from July 1, 2011, and down to 35 eurocents and 11 eurocents per minute to make and receive calls respectively as from July 1, 2011) and the introduction of maximum prices for SMS and data roaming. For SMS roaming there is 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 is 50 eurocents per megabyte as from July 1, 2011. The Regulation does not include retail price controls on data roaming.

- On July 6, 2011, the Commission announced a proposal for a new regulation on international roaming charges for voice calls (the "New Regulation"). The New Regulation will replace existing Regulation which expires on June 30, 2012 and extend price controls on voice, SMS and data roaming services until 2022, including for the first time price controls on retail prices for data roaming. The proposal provides for a progressive reduction in roaming charges such that as from July 1, 2014, the charges would not exceed 5 eurocents per minute for wholesale voice roaming, 19 eurocents and 5 eurocents to make and receive (retail) voice calls respectively, 2 eurocents for wholesale SMS, 6 eurocents for retail SMS, 5 eurocents per megabyte for wholesale data roaming and 20 eurocents per megabyte for retail data roaming. It also proposes structural changes to the way roaming services are provided to allow new forms of competition into the international roaming market from, inter alia, mobile virtual network operators ("MVNOs") and resellers by imposing access obligations on MNOs. The proposal is now subject to approval by the European Parliament and the European Council and is expected to be voted on and adopted in time to replace the existing Regulation before it expires on June 30, 2012.

- 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 amended Directive was formally adopted on October 20, 2009. The amendment permits use of the 900 MHz spectrum band for certain services in addition to GSM services, including those using UMTS technology. The liberalization of the 900 MHz spectrum band in this manner will lead to the implementation of spectrum refarming measures at the national level. In Italy, AGCOM published a decision on the refarming of the 900 MHz spectrum band including the release of 2 x 5 MHz in this band to a new entrant. On May 19, 2010, this spectrum was awarded to H3G S.p.A. for use in accordance with a prescribed timetable. In addition, there was a combined spectrum auction in October 2011 wherein H3G S.p.A. obtained 2 x 5 MHz in the 1800 MHz spectrum band, 2 blocks of 5 MHz (unpaired) in the 2.6 GHz spectrum band and 2 x 10 MHz in the 2.6 GHz spectrum band. In the UK, the Government enacted a Statutory Instrument ("SI") which came into force on December 30, 2010, setting out directions to OFCOM in relation to its spectrum management functions. On January 6, 2011, OFCOM liberalized the 900 MHz and 1800 MHz spectrum bands for UMTS (3G) services in the hands of the existing licensees (being the incumbent MNOs) and converted the licenses for 2.1 GHz spectrum (including the license held by 3 UK) from fixed term licenses expiring in 2021 to indefinite licenses. The 2.1 GHz licenses may be revoked for spectrum management reasons on not less than five years' notice, such notice not to be given before December 31, 2016. As from January 1, 2022, 2.1 GHz licensees will be required to pay annual license fees, and OFCOM has proposed that the fees reflect the full market value of the licenses. The SI also calls on

OFCOM to auction spectrum in the 800 MHz and 2.6 GHz spectrum bands. OFCOM consulted in March 2011 on the design for this auction and launched a new consultation in January 2012, with the intention of commencing the auction process in the fourth quarter of 2012.

Finance & Investments and others

Hutchison receives income from its finance & investments and others division, 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-Hong Kong 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-Hong Kong dollar denominated liquid assets. Hutchison has adopted a strategy of minimising 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, 2011, Hutchison's cash, liquid funds and other listed investments totaled HK$86,778 million (US$11,125 million) of which 6% were denominated in Hong Kong dollars, 48% in U.S. dollars, 19% in Renminbi, 8% in Euro, 5% in Pound Sterling and 14% in other currencies. Cash and cash equivalents represented 76% of such total, U.S. Treasury notes and listed/traded debt securities 16%, listed equity securities 7% and long-term deposits and others 1%. The U.S. Treasury notes and listed/ traded debt securities, including those held under managed funds, consisted of U.S. Treasury notes 48%, government guaranteed notes 15%, supranational notes 14%, notes issued by Husky Energy 7%, and others 16%. 74% of the U.S. Treasury notes and listed/traded debt securities are rated at Aaa/AAA or Aa1/AA+, with an average maturity of approximately 2.1 years 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 income statement and related notes thereto set forth in the audited consolidated financial statements of Hutchison included elsewhere in this offering memorandum.

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, Hong Kong, the UK and France through its wholly-owned subsidiary Hutchison China. These activities include the provision of aircraft maintenance and engineering services, pharmaceutical research and development, and the manufacture and retail operations of healthcare and traditional Chinese medicine and pharmaceutical products, the manufacturing and trading of consumer detergent products, the distribution of consumer goods, the provision of logistics services and the operation of a rice farm and rice trading.

Hutchison is the major shareholder (70.8%) of Chi-Med which is listed on the AIM. The listing was completed in May 2006. Chi-Med had a market capitalization of approximately HK$2,760 million (approximately US$354 million) as of March 31, 2012.

Hutchison China has the following major investments, which operate in the Mainland, Hong Kong, the UK and France:

- 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, providing 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, which develops, manufactures and sells optical transmission equipment and provides related services in the Mainland;

- Chi-Med (70.8% interest), a company listed on the AIM. Chi-Med is engaged in carrying out pharmaceutical research and development, manufacturing, distribution and selling pharmaceuticals and health oriented consumer products; and

- Shanghai Hutchison Whitecat Company Limited (80% interest), a joint venture with Shanghai Whitecat (Group) Company Limited, which develops, manufactures and distributes consumer detergent products in the Mainland and overseas.

Hutchison Harbour Ring Limited

HHR is listed on the Main Board of SEHK and is currently a 71.4% subsidiary of Hutchison. Based on the closing price of its shares on SEHK on March 31, 2012, HHR had a market capitalization of approximately HK$5,919 million (approximately US$759 million).

HHR's current operations consist of investments in certain property complexes in Shanghai in the Mainland from which it derives rental income.

On September 29, 2008, HHR announced the disposal of an 81% equity interest in certain subsidiaries that operate in the toy manufacturing business 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 the 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 was approximately HK$1 million.

On June 9, 2009, HHR announced the acquisition of debt securities issued by Hutchison Whampoa International (03/33) Limited, a wholly-owned subsidiary of Hutchison, from the secondary market in an aggregate principal amount of US$143 million (approximately HK$1,108 million) for a total consideration of approximately US$153 million (approximately HK$1,187 million).

On March 23, 2010, HHR announced the disposal of certain subsidiaries that operate in the mobile phone accessories manufacturing and trading business for a consideration of HK$2.2 million. The gain on disposal was approximately HK$17 million.

On September 1, 2010, HHR announced the disposal of certain subsidiaries which were engaged in the licensing and sourcing of consumer products for a consideration of HK$1 million. The gain on disposal was approximately HK$2 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 U.S., 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 enabled users to conduct a wide variety of online transactions with various Hong Kong Government services and related commercial transactions. With the expiry of the contract with the Hong Kong Government, ESD*life* is now focused on providing a one-stop shop for public and commercial electronic services, as well as professional web solutions through the establishment of a vast digital information infrastructure; and
- Vanda Group (Disposed) – a wholly-owned subsidiary of Hutchison since July 2006 that provides IT solutions, systems infrastructure and application solutions services. It has operations in the Mainland, Hong Kong and Macau. In 2009, Hutchison disposed of its entire interest in Vanda Group.

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). In March 2011, Metro Broadcast was granted a 12-year digital audio broadcasting (DAB) license by the Hong Kong Government, and will launch three additional radio channels in the 2012 to 2014 timeframe.

Hutchison Water

Hutchison has a 49% interest in a water desalination project in Israel which was granted a 26.5 year concession in 2009 by the Israeli Government to build and operate a water desalination plant in Sorek, Israel. Currently, the project is in the construction phase and funded by project financing from various banks and equity bridge loans. The plant is expected to be operational by the end of 2013 and is expected to be one of the largest in the world in terms of capacity.

TOM Group

Hutchison also has a 24.5% interest in TOM Group, a leading Chinese-language media group in the Mainland listed on SEHK. Based on the closing price of its shares on SEHK on March 31, 2012, TOM Group had a market capitalization of approximately HK$2,336 million (approximately US$299 million). It has diverse business interests in five key areas: Internet, e-commerce, publishing, outdoor media and television and entertainment.

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.

Number of Employees

	As of December 31,		
	2009	**2010**	**2011**
Ports and related services	33,590	34,579	35,953
Property and hotels	13,438	14,164	14,253
Retail	112,952	124,748	133,364
Cheung Kong Infrastructure	9,943	15,585	18,671
Husky Energy	4,905	5,013	5,324
Hutchison Telecommunications Hong Kong Holdings	1,732	1,816	1,864
Hutchison Asia Telecommunications	2,163	2,155	1,294
Finance & investments and others	17,717	18,061	19,041
3 Group	22,811	24,303	25,686
Total number of employees	219,251	240,424	255,450

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	83	Chairman and Executive Director
LI Tzar Kuoi, Victor	47	Deputy Chairman and Executive Director
FOK Kin Ning, Canning	60	Group Managing Director and Executive Director
CHOW WOO Mo Fong, Susan	58	Deputy Group Managing Director and Executive Director
Frank John SIXT	60	Group Finance Director and Executive Director
LAI Kai Ming, Dominic	58	Executive Director
KAM Hing Lam	65	Executive Director
The Hon Sir Michael David KADOORIE	70	Independent Non-executive Director
Holger KLUGE	70	Independent Non-executive Director
George Colin MAGNUS	76	Non-executive Director
William Elkin MOCATTA	59	Alternate Director to The Hon Sir Michael David Kadoorie
Margaret LEUNG KO May Yee	59	Independent Non-executive Director
William SHURNIAK	80	Independent Non-executive Director
WONG Chung Hin	78	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 six are Independent Non-executive Directors (including Alternate Director) and one is a Non-executive Director. Set forth below is selected biographical information for each of the Directors:

LI Ka-shing, GBM, KBE, Commandeur de la Légion d'Honneur, Grand Officer of the Order Vasco Nunez de Balboa, Commandeur de l'Ordre de Léopold, aged 83, has been Executive Director and the Chairman of Hutchison since 1979 and 1981 respectively. He has been a member of the Remuneration Committee of Hutchison since March 2005 and acted as the Chairman of the Remuneration Committee of Hutchison from March 2005 to December 2011. 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 (the "SFO"), and has been engaged in many major commercial developments in Hong Kong for more than 60 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 on 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 United Kingdom. Mr Li has been awarded Entrepreneur of the Millennium, the Carnegie Medal of Philanthropy and The Berkeley Medal. He is the recipient of many other major honors and awards from renowned institutions on the Mainland and abroad. 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 47, has been Executive Director and Deputy Chairman of Hutchison since 1995 and 1999 respectively. He is managing director and deputy chairman of Cheung Kong, a substantial shareholder of Hutchison within the meaning of Part XV of the SFO, chairman of Cheung Kong Infrastructure Holdings Limited ("CKI") and CK Life Sciences Int'l., (Holdings) Inc. ("CKLS"), executive director of Power Assets Holdings Limited ("Power Assets"), co-chairman of Husky Energy Inc.

("Husky Energy") and director of The Hongkong and Shanghai Banking Corporation Limited. In addition, he is director of Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust. He is also director of Continental Realty Limited ("CRL"), Honourable Holdings Limited ("HHL"), Winbo Power Limited ("WPL"), Polycourt Limited ("PL") and Well Karin Limited ("WKL"). TUT1, TDT1, TDT2 and CRL are substantial shareholders 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 People's Republic of China. He is also a member of the Commission on Strategic Development and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and vice chairman of the Hong Kong General Chamber of Commerce. Mr Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr Li Tzar Kuoi, Victor is a son of Mr Li Ka-shing, Chairman of Hutchison, and a nephew of Mr Kam Hing Lam, Executive Director of Hutchison.

FOK Kin Ning, Canning, aged 60, has been Executive Director and Group Managing Director of Hutchison since 1984 and 1993 respectively. He is chairman of Hutchison Harbour Ring Limited ("HHR"), Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Power Assets and Hutchison Port Holdings Management Pte. Limited ("HPH Management") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust") and co-chairman of Husky Energy. He is also deputy chairman of CKI and non-executive director of Cheung Kong, a substantial shareholder of Hutchison within the meaning of Part XV of the SFO. Mr Fok is also alternate director to a director of HTHKH. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of the Institute of Chartered Accountants in Australia.

CHOW WOO Mo Fong, Susan, aged 58, has been Executive Director and Deputy Group Managing Director of Hutchison since 1993 and 1998 respectively. She is executive director of CKI, HHR and Power Assets, non-executive director of HTHKH and director of HTAL. Mrs Chow is also alternate director to directors of each of CKI, Power Assets, HTAL, TOM Group Limited ("TOM") and HPH Management as the trustee-manager of HPH Trust. She was previously non-executive director of TOM. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT, aged 60, has been Executive Director and Group Finance Director of Hutchison since 1991 and 1998 respectively. He is non-executive chairman of TOM. He is also executive director of CKI and Power Assets, non-executive director of Cheung Kong, a substantial shareholder of Hutchison within the meaning of Part XV of the SFO, HTHKH and HPH Management as the trustee-manager of HPH Trust and director of HTAL and Husky Energy. In addition, he is director of TUT1 as trustee of The Li Ka-Shing Unity Trust, TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust and TDT2 as trustee of another discretionary trust, all being substantial shareholders of Hutchison within the meaning of Part XV of the SFO. He is also alternate director to directors of HTAL. 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 58, has been Executive Director of Hutchison since 2000. He is also deputy chairman of HHR, non-executive director of HTHKH and director of HTAL. He is also alternate director to directors of each of HHR, HTHKH and HTAL. He has over 28 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 65, has been Executive Director of Hutchison since 1993. He is deputy managing director of Cheung Kong, a substantial shareholder of Hutchison within the meaning of Part XV of the SFO, group managing director of CKI and president and chief executive officer of CKLS. He is also executive director of Power Assets, chairman and non-executive director of Hui Xian Asset

Management Limited as manager of Hui Xian Real Estate Investment Trust. Mr Kam is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. 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 the 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 70, 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 70, 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 Power Assets and the Chair of the board of directors of Shoppers Drug Mart Corporation. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

Margaret LEUNG KO May Yee, JP, aged 59, has been an Independent Non-executive Director of Hutchison since 2009. She is executive director, vice-chairman and chief executive of Hang Seng Bank Limited, director of The Hongkong and Shanghai Banking Corporation Limited and independent non-executive director of Swire Pacific Limited. She is also the chairman of Hang Seng Bank (China) Limited, the chairman of the Board of Governors of Hang Seng Management College and the chairman of the Board of Hang Seng School of Commerce and group general manager of HSBC Holdings plc. Mrs Leung is a member of standing committee of Chinese People's Political Consultative Conference in Henan, The Guangzhou Municipal Committee of the Chinese People's Political Consultative Conference, Greater Pearl River Delta Business Council, Board of Trustees of Ho Leung Ho Lee Foundation, Hong Kong Special Administrative Region Commission on Strategic Development, the Advisory Committee of Securities and Futures Commission, Hospital Authority, Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development, International Advisory Board of The Hong Kong Polytechnic University and the Hong Kong University of Science and Technology Business School Advisory Council, honorary president of Chinese Bankers Club, Hong Kong, a council member of the University of Hong Kong and a member of the University's Finance Committee, honorary vice president of Hong Kong University Alumni Association, a chapter honoree of the Hong Kong Baptist University Beta Gamma Sigma Society and a court member of Hong Kong Baptist University. She is also the board member of The Community Chest of Hong Kong and first vice president and chairman of 2011-2012 Executive Committee of The Community Chest of Hong Kong. Mrs Leung holds a bachelor's degree in Economics, Accounting and Business Administration.

George Colin MAGNUS, OBE, BBS, aged 76, 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, a substantial shareholder of Hutchison within the meaning of Part XV of the SFO, CKI and Power Assets and a director (independent) of Husky Energy. He holds a Master's degree in Economics.

William Elkin MOCATTA, aged 59, has been Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director of Hutchison, since 1997. He is chairman of CLP Power Hong Kong Limited and CLP Properties Limited. He is also 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.

William SHURNIAK, aged 80, has been a Director of Hutchison since 1984. He was a Non-executive Director of Hutchison from 1998 to 2011 and has been re-designated as an Independent Non-executive Director of Hutchison since June 29, 2011. He is also a member of the Audit Committee of Hutchison. He is a director (independent) 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. He was awarded the Saskatchewan Order of Merit by the Government of Saskatchewan in Canada in 2009.

WONG Chung Hin, CBE, JP, aged 78, 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 the Remuneration Committee of Hutchison. In addition, he is an independent non-executive director of The Bank of East Asia, Limited and Power Assets. 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, 2011 and from January 1, 2012 to the date of this offering memorandum:

(1) On December 31, 2010, a sale and purchase agreement was entered into by Hutchison and China Resources (Holdings) Company Limited ("CRH") for the sale by CRH (or its subsidiaries) and the purchase by Hutchison (or its subsidiaries) of certain assets comprising equity and (in certain cases) loan interests in HIT Investments Limited ("HITIL"), Hongkong International Terminals Limited, Splendid Century Limited ("Splendid"), Eckstein Resources Limited ("Eckstein"), Hutchison Ports Yantian Investments Limited ("HPYIL") and Omaha Investments Limited ("Omaha") and the property interest located at Kwun Tong, Kowloon for a total cash consideration of HK$5,700 million (the "Acquisition"). The Acquisition was completed on January 6, 2011.

    CRH is a connected person of Hutchison by virtue of being a substantial shareholder of HITIL, Splendid, Eckstein, HPYIL and Omaha, all being indirect subsidiaries of Hutchison. Accordingly, the Acquisition constituted a connected transaction for Hutchison under the Listing Rules.

(2) On January 17, 2011, Hutchison Port Holdings Management Pte. Limited, an indirect wholly-owned subsidiary of Hutchison and the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), made an application to Singapore Exchange Securities Trading Limited ("SGX-ST") to list on the Main Board of SGX-ST all units of HPH Trust ("Units") in issue and to be issued under the global offering of the Units in issue or to be issued for subscription which would comprise (a) a public offering of the Units in Singapore, (b) an international offering of the Units to professional, institutional and other investors, and (c) a preferential offering (the "Preferential Offer") of Units to qualifying shareholders of Hutchison whose names would appear on the register of members of Hutchison on the record date of Thursday, March 3, 2011 (the "Record Date") for determining the assured entitlement of shareholders of Hutchison to the Units (other than the Non-Qualifying Shareholders as defined in the announcement issued by Hutchison on March 4, 2011) (the "Qualifying Shareholders"). The proposed separate listing of HPH Trust on the Main Board of SGX-ST constituted a spin-off for Hutchison under the Listing Rules. A Qualifying Shareholder who held at least 1,000 shares of par value HK$0.25 per share of Hutchison (the "Shares") on the Record Date was entitled to apply on an assured basis for 100 Units at US$1.01 per Unit for every one board lot of 1,000 Shares it held on the Record Date. A Qualifying Shareholder who held less than 1,000 Shares on the Record Date was not entitled to receive any assured entitlement to the Units and was not entitled to apply for any excess Units. The subscriptions in the Preferential Offer by Cheung Kong, through its subsidiaries (being connected persons of Hutchison by virtue of Cheung Kong being a substantial shareholder of Hutchison) in exercise of their respective assured entitlements for a total of 213,019,200 Units at an aggregate subscription price of US$215,149,392 and by certain of the Directors of Hutchison and of the directors of Hutchison's subsidiaries for a total of 1,664,300 Units at an aggregate subscription price of approximately US$1,680,943 constituted a series of connected transactions for Hutchison under the Listing Rules.

(3) On March 24, 2011, Hutchison announced that HWPL gave three guarantees on January 18, 2011 and March 24, 2011 respectively, all on normal commercial terms and on a several basis with corresponding guarantees given by a subsidiary of Cheung Kong on the same respective dates, each in respect of 50% of the indebtedness of 深圳和記黃埔中航地產有限公司 (Shenzhen Hutchison Whampoa CATIC Properties Limited) ("SZ Hutchison CATIC") under the three two-year term loan facilities of up to an aggregate maximum principal amount of RMB1,000 million (or approximately HK$1,190 million) which are or may become due and payable by SZ Hutchison CATIC to an independent financial institution.

SZ Hutchison CATIC is a co-operative joint venture established under the laws of PRC owned as to 40% by an indirect wholly-owned subsidiary of each of Hutchison and of Cheung Kong and as to the remaining 20% by a third party independent of Hutchison and its connected persons. Cheung Kong is a substantial shareholder of Hutchison. SZ Hutchison CATIC is a connected person of Hutchison by virtue of being an associate of Cheung Kong. Accordingly, the provision of three guarantees by HWPL constituted a series of connected transactions for Hutchison under the Listing Rules by way of the provision of financial assistance for the benefit of SZ Hutchison CATIC not in proportion to the interest which a subsidiary of Hutchison directly holds in SZ Hutchison CATIC.

(4) On April 11, 2011, Hutchison announced that following the successful bidding by Trade Pro Investments Limited (the "HK JV Holdco", indirectly owned as to 50% by each of Hutchison and Cheung Kong) for the land of gross area of approximately 74,091.2 square meters located at 中國上海市青浦區趙巷鎮特色居住區 (Specially Designed Residential Zone, Zhao Xiang Town, Qing Pu District, Shanghai, PRC) (the "Shanghai Land") for development into residential properties, the terms of the land use right transfer contract had been agreed with上海市青浦區規劃和土地管理局 (Shanghai Qing Pu Planning and Land Administration Bureau) which was expected to be, and was, executed by the HK JV Holdco on April 22, 2011. The total consideration under the contract was RMB1,620 million (approximately HK$1,927 million) and was payable by installments.

The total investment and registered capital of 上海和趙房產開發有限公司 (Shanghai He Zhao Property Development Co., Ltd.) ("Shanghai Project Co", a direct wholly-owned subsidiary of the HK JV Holdco, being a new enterprise established for the land acquisition and development purposes, are set at RMB1,964 million (approximately HK$2,336 million) and RMB1,698 million (approximately HK$2,019 million) respectively. Such registered capital and any shareholders' loans to be advanced to Shanghai Project Co, which are expected to be borne by Cheung Kong and Hutchison (or their respective subsidiaries) equally and in proportion to their respective indirect equity interests in Shanghai Project Co, would be applied towards funding the payment of the land cost, construction costs and other project costs for the development of the Shanghai Land.

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly, the entering into of the joint venture arrangement comprising the establishment of Shanghai Project Co constituted a connected transaction for Hutchison under the Listing Rules.

(5) On June 23, 2011 (Calgary Time), a conditional agreement was entered into between HWLH and Husky Energy for the subscription and purchase by HWLH, and the issue and sale by Husky Energy on a private placement basis of 3,696,857 new common shares in the capital of Husky Energy (the "Common Shares") at a price of C$27.05 per Common Share, totalling C$99,999,981.85 (or approximately HK$800 million) (the "Transaction"). Husky Energy had announced that it had also entered into an agreement with a syndicate of underwriters, who were independent of Hutchison and its connected persons, who had agreed to purchase for resale to the public in Canada, on a bought deal basis, 36,968,500 new Common Shares at the same price of C$27.05 per Common Share resulting in aggregate gross proceeds of C$1 billion (the "HSE Public Offering"). Closing of the Transaction was subject to certain conditions

including the concurrent closing of the HSE Public Offering and the other issue and sale of Common Shares comprising the issue and sale of an aggregate of 7,393,714 Common Shares all at C$27.05 (or approximately HK$216) per Common Share by Husky Energy on a private placement basis (the "Private Placement"), of which the Transaction forms part.

Husky Energy announced on June 29, 2011 (Calgary Time) that the Transaction had been closed and the percentage interest of HWLH in Common Shares in issue as enlarged by the Private Placement and the HSE Public Offering was diluted by approximately 1.24% to approximately 33.41%.

Husky Energy is a connected person of Hutchison by virtue of being an associate of a Director of Hutchison. Accordingly, the Transaction constituted a connected transaction for Hutchison under the Listing Rules.

(6) On June 28, 2011, Hutchison announced that following the successful bidding for the land of gross area of approximately 119,502.2 square meters located at 中國南京市河西南河西側 (Hexi Nanhe West, Nanjing, PRC) (the "Nanjing Land") for development into residential properties, 和記黃埔地產(南京)有限公司 (Hutchison Whampoa Properties (Nanjing) Limited) ("Nanjing Project Co", indirectly owned as to 50% by each of Hutchison and Cheung Kong), being a new enterprise established for the land acquisition and development purposes, had agreed the terms of the land use right transfer contract with the 南京市國土資源局 (Nanjing Land Bureau) and was expected to be, and was, entered into on June 29, 2011. The total consideration under the contract was RMB3,180 million (approximately HK$3,822 million) and was payable by installments.

The proposed total investment and registered capital of Nanjing Project Co are set at HK$6,949.8 million and HK$4,006.4 million respectively. Such registered capital, which is to be borne by Cheung Kong and Hutchison (or their respective subsidiaries) equally and in proportion to their respective indirect equity interests in Nanjing Project Co, would be applied towards funding the payment of the land cost, construction costs and other project costs for the development of the Nanjing Land.

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly, the entering into of the joint venture arrangement comprising the establishment of Nanjing Project Co constituted a connected transaction for Hutchison under the Listing Rules.

(7) Cheung Kong Infrastructure Holdings Limited ("CKI", a non-wholly-owned listed subsidiary of Hutchison) announced on August 2, 2011 that the board of directors of Northumbrian Water Group plc ("Northumbrian Water") and the board of directors of UK Water (2011) Limited ("UK Water") announced on August 2, 2011 in the UK that they had reached agreement on the terms of a recommended cash offer by which all of the issued share capital of Northumbrian Water would be acquired by UK Water (the "Acquisition"). UK Water is indirectly wholly-owned by a consortium led by CKI and comprising CKI, Cheung Kong and Li Ka Shing Foundation Limited ("LKSFL").

Under the terms of the Acquisition, the offer price was 465 pence (approximately HK$60) for each ordinary share of 10 pence each in Northumbrian Water, which valued Northumbrian Water's entire issued share capital at approximately £2,411.6 million (approximately HK$30,916.7 million).

In connection with the Acquisition, CKI, Cheung Kong, LKSFL and UK Water had entered into the equity commitment letter (the "Equity Commitment Letter") and the shareholders' agreement (the "JV Transaction"). Pursuant to the Equity Commitment Letter, approximately £2,198.7 million (approximately HK$28,187.3 million), in aggregate, of funding for the Acquisition was being provided by CKI, Cheung Kong and LKSFL by the subscription of shares in UK Water and/or loan notes or other instruments issued by UK Water (in each case through one or more wholly-owned intermediate holding companies) conditional on the scheme of arrangement becoming effective or the offer to acquire the entire issued share capital of Northumbrian Water by UK Water by means of a takeover offer made pursuant to the UK City Code on Takeovers and Mergers becoming wholly unconditional (as the case may be). CKI, Cheung Kong and LKSFL had committed to provide equity funding to UK Water (through their respective wholly-owned intermediate holding companies) pursuant to the Equity Commitment Letter in the following proportions: CKI (40%), Cheung Kong (40%), and LKSFL (20%). The total financial commitment of CKI in relation to the JV Transaction was £879.5 million (approximately HK$11,275.2 million).

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly the entering into of the JV Transaction and the provision of financial assistance by CKI (a subsidiary of Hutchison) directly or indirectly to UK Water constituted connected transactions for Hutchison under the Listing Rules.

(8) On October 7, 2011, Hutchison provided the Guarantees (as described below) on a several basis in respect of 80.35% of the respective obligations of TOM Group Limited ("TOM"), a listed company which was owned as to approximately 25.55%, 24.47% and 12.23% by Cranwood Company Limited ("Cranwood") and its subsidiaries (together the "Cranwood Group"), subsidiaries of Hutchison and of Cheung Kong respectively) under each of the 2011 Term and Revolving Facilities (as described below) and the Amended 2009 Term and Revolving Facilities (as described below) agreed to be made available to TOM by four independent financial institutions respectively (the "TOM Continuing Connected Transactions").

In consideration of the provision by Hutchison of the Guarantees, Cranwood had unconditionally and irrevocably agreed to indemnify Hutchison against 51.08% of Hutchison's obligations under the Guarantees (the "Cranwood Indemnity") and the Cranwood Group had, among other things, charged an aggregate of 994,864,363 shares in TOM (representing its entire shareholding in, and comprising approximately 25.55% of the total issued share capital of, TOM) in favor of Hutchison as security for the Cranwood Indemnity.

"Amended 2009 Term and Revolving Facilities" means the 2009 Term and Revolving Facilities, as amended and restated pursuant to the respective Supplemental Deeds, for HK$140 million (fully drawn term loan) and up to HK$60 million (revolving facility), and HK$300 million (fully drawn term loan) and up to HK$100 million (revolving facility) respectively all with a final maturity date falling 36 months after October 7, 2011.

"Guarantees" means collectively, the 2009 Guarantees (as amended and restated pursuant to the respective Supplemental Deeds) and New Guarantees.

"New Guarantees" means the guarantees both provided on a several basis by Hutchison on October 7, 2011 in respect of 80.35% of TOM's respective obligations under the 2011 Term and Revolving Facilities.

"Supplemental Deeds" means collectively, the two separate deeds both entered into by, inter alia, Hutchison and Cheung Kong as guarantors and TOM as borrower on October 7, 2011, pursuant to which the agreements for the 2009 Term and Revolving Facilities and the 2009 Guarantees are amended.

"2009 Guarantees" means the guarantees both provided on a several basis by Hutchison on July 21, 2009 in respect of 80.32% of TOM's respective obligations under the 2009 Term and Revolving Facilities.

"2009 Term and Revolving Facilities" means the two separate term and revolving facilities agreed to be made available to TOM by two independent financial institutions pursuant to two separate facility agreements entered into by TOM on June 30, 2009 and July 21, 2009, respectively, for up to HK$400 million and HK$200 million, respectively, all with a final maturity date falling 36 months after the respective agreement dates.

"2011 Term and Revolving Facilities" means the two separate term and revolving facilities agreed to be made available to TOM by two independent financial institutions pursuant to two separate facility agreements entered into by TOM both on October 7, 2011 for up to HK$1,300 million and HK$300 million, respectively, all with a final maturity date falling 36 months after October 7, 2011.

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly, the provision of the Guarantees for the benefit of TOM constituted connected transactions and continuing connected transactions for Hutchison under the Listing Rules.

(9) On November 16, 2011, Hutchison announced that following the successful bidding for the land use right of the land of a net area of approximately 74,857.72 square meters located at 中國佛山市禪城區科潤路以南、禪港路以西 (in the South of Kerun Road and West of Changang Road, Chancheng District, Foshan, PRC) (the "Foshan Land") for development into residential and commercial properties, the terms of the land use right transfer contract had been agreed with 佛山市國土資源和城鄉規劃局 (Foshan Land Resources and Urban and Rural Planning Bureau) on November 16, 2011 which was expected to be, and was, executed by 佛山市和記黃埔地產有限公司 (Foshan Hutchison Whampoa Properties Limited) ("Foshan Project Co", indirectly owned as to 50% by each of Hutchison and Cheung Kong) on November 16, 2011. The total consideration under the contract was RMB896 million (approximately HK$1,099 million) and was payable by installments.

The initial total investment and registered capital of Foshan Project Co, both being currently set at HK$760 million, were expected to be increased to HK$1,516.46 million and HK$1,128.50 million, respectively. Such registered capital would be applied towards funding the payment of the land cost, construction costs and other project costs for the development of the Foshan Land, and was to be injected into Bayswater Developments Limited (the "JV Holdco", indirectly owned as to 50% by each of Hutchison and Cheung Kong) (and thereafter its subsidiary or subsidiaries) by way of advances directly made from time to time by the respective subsidiaries of Cheung Kong and Hutchison on identical terms and in proportion to their respective indirect equity interests in Foshan Project Co. As and when there was a desire to strengthen the capital structure of the JV Holdco, advances made from time to time by respective subsidiaries of Cheung Kong and Hutchison to the JV Holdco will be capitalized on a pro rata basis, thereby resulting in an elimination of the subject advances and issue of new shares in JV Holdco credited as fully paid.

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly, each of (i) entering into of the joint venture arrangement comprising the establishment of Foshan Project Co, and (ii) issuance of new shares of the JV Holdco to Hutchison's subsidiary pursuant to advance capitalization, constituted or will constitute a connected transaction for Hutchison under the Listing Rules.

(10) On December 2, 2011, Hutchison announced that following the successful bidding for the land of a gross area of 143,034.10 square meters located at 西崗區黑嘴子碼頭及周邊地塊 (Heizuizi Wharf and the surrounding area, Xigang District) in Dalian, PRC (the "Dalian Land") for development into residential and commercial properties, the terms of the land use rights transfer contract had been agreed with 大連市國土資源和房屋局 (Dalian Municipal Bureau of Land Resources and Housing) which was expected to be, and was, entered into on December 5, 2011 by 大連達連房地產開發有限公司 (Dalian Dalian Property Development Co., Ltd.) ("Dalian Project Co", indirectly owned as to 50% by each of Hutchison and Cheung Kong). The total consideration under the contract was RMB1,900 million (approximately HK$2,313 million).

The initial total investment and registered capital of Dalian Project Co, both being currently set at RMB1,919 million (approximately HK$2,336 million), were expected to be increased to an amount of which was the RMB equivalent of US$700 million (approximately HK$5,439 million) and US$500 million (approximately HK$3,885 million) respectively. Such registered capital would be applied towards funding the payment of the land cost, construction costs and other project costs for the development of the Dalian Land and was to be injected into the JV Holdco (and thereafter its subsidiary or subsidiaries) by way of advances directly made from time to time by the respective subsidiaries of Cheung Kong and Hutchison on identical terms and in proportion to their respective indirect equity interest in Dalian Project Co. As and when there is a desire to strengthen the capital structure of the JV Holdco, advances made from time to time by respective subsidiaries of Cheung Kong and Hutchison to the JV Holdco will be capitalized on a pro rata basis, thereby resulting in an elimination of the subject advances and issue of new shares in the JV Holdco credited as fully paid.

Cheung Kong is a connected person of Hutchison by virtue of being a substantial shareholder of Hutchison. Accordingly, each of the entering into of the joint venture arrangement comprising the establishment of Dalian Project Co, and issue of new shares of the JV Holdco to Hutchison's subsidiary pursuant to any advance capitalization, constituted or will constitute a connected transaction for Hutchison under the Listing Rules.

DESCRIPTION OF THE SECURITIES AND THE GUARANTEE

The Securities 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 Securities 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 Securities 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 Securities or the Fiscal Agency Agreement are referred to, the definitions of such terms are incorporated herein by reference.

General

The Securities will be issued in an aggregate principal amount of US$1,000,000,000. The Securities confer a right to receive distributions ("Distributions") at the rates and in the manner described under "— Distributions". There are no events of default with respect to the Securities and the Securities have no stated maturity date.

Payments of principal of and Distributions on the global securities representing the Securities will be made to the registered holder thereof in immediately available funds. Payments of principal of, and Distributions on, any individual securities representing the Securities 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 securities, 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 Security upon redemption in full, together with accrued Distributions due at redemption will be made to the registered holder thereof against presentation and surrender of such Security 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 Securities are listed on the SGX-ST, a paying agent in Singapore will be appointed and maintained and the Securities may be presented or surrendered to such Singapore paying agent for payment or redemption, and such payments of principal and Distribution payments may be made by such Singapore paying agent. Any payments of principal of and Distributions on the Securities 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 Distributions 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, London, Hong Kong or Singapore.

The transfer of the Securities will be registrable, and the Securities 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 securities representing the Securities, a new individual security will be delivered by the transfer agent to the transferor in respect of the untransferred portion.

Ranking

The Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer, ranking *pari passu*, without any preference or priority of payment among themselves and with any Parity Securities of the Issuer. In the event of the Winding-Up of the Issuer, the rights and claims of holders of the Securities shall rank ahead of those persons whose claims are in respect of Junior Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future creditors of the Issuer, other than the claims of holders of Parity Securities of the Issuer.

Guarantee

The Guarantor will fully and unconditionally guarantee on a subordinated basis (the "Guarantee") to each holder of a Security authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and Distributions payable by the Issuer on such Security (and any Additional

Amounts (as hereinafter defined) payable in respect thereof) upon a Winding-Up of the Issuer, in accordance with the terms of such Security and of the Fiscal Agency Agreement. The Guarantee will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor and will rank *pari passu*, without any preference or priority of payment among holders of the Guarantee and with any Parity Securities of the Guarantor. In the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee shall rank ahead of those persons whose claims are in respect of Junior Securities of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future creditors of the Guarantor, other than the claims of holders of Parity Securities of the Guarantor.

Set-off

Subject to applicable law, no holder of Securities may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be, and each holder of Securities shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer and the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer or the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor (or the liquidator or, as appropriate, administrator of the Issuer or the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

Securities: 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 securities representing Securities.

The Securities sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S global securities, fully registered without 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 Securities sold to qualified institutional buyers in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A global securities, fully registered without coupons, which will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Securities will be issued in minimum denominations of US$50,000 and integral multiples of US$1,000 above that amount. The original issue date will be on or about May 7, 2012.

The Securities (including beneficial interests in the global securities representing Securities) 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 9:00 p.m., Hong Kong time, on May 7, 2012 (the "Time of Delivery"), a beneficial interest in a Regulation S global security 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 security 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 securitieslaws 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 security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global security without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global security may be transferred to a person who takes delivery in the form of an interest in a Regulation S global security 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 securities issued in exchange for an interest in a Rule 144A global security representing Securities under the circumstances described under "Individual Securities" 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 securities that is transferred to an entity who takes delivery in the form of an interest in the other global security will, upon transfer, cease to be an interest in such global security and become an interest in the other global security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global security for as long as it remains such an interest.

Investors may hold their interests in the global securities representing Securities 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 Securities 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 Securities will be made in same-day funds. So long as DTC continues to act as depositary for the Securities, the Securities will trade in DTC's Same-Day Funds Settlement System.

Subject to compliance with the transfer restrictions applicable to the Securities, 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 securities representing Securities 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 securities representing Securities, Cede & Co. for all purposes will be considered the sole holder of such Securities.

Payment of Distributions and principal on the global securities representing Securities 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 such global securities 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 such global securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

Payments of Distributions on and principal of the Securities 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 securities representing Securities 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 Securities are represented by global securities and such global securities 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 Securities represented by the applicable global securities for all purposes under the Fiscal Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and none of 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 security 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 securities representing Securities, 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 Securities

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, the Issuer will issue individual securities in certificated, fully registered form in exchange for the relevant global securities.

Subject to the transfer restrictions set forth on the individual securities in certificated form, the holder of such individual securities in certificated form may transfer or exchange such securities by surrendering them at the Corporate Trust Office. Prior to any proposed transfer of individual securities 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 "Securities: Delivery and Form" above. Upon the transfer, exchange or replacement of individual securities in certificated form not bearing the legend referred to under "Transfer Restrictions", the transfer agent will deliver individual securities in certificated form that do not bear the legend. Upon the transfer, exchange or replacement of individual securities in certificated form bearing the legend, or upon specific request for removal of the legend on an individual security in certificated form, the transfer agent will deliver only individual securities 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.

Distributions

The Securities confer a right to receive Distributions at the applicable rate described below from and including May 7, 2012 (the “Issue Date”) or from and including the most recent Distribution Payment Date to, but excluding, the next Distribution Payment Date or any redemption date payable, subject to the provisions described under “— Distribution Deferral”, semi-annually in arrears on the Distribution Payment Dates of each year to the person in whose name the Securities (or any predecessor Security) is registered at the close of business on the date 15 days immediately preceding such Distribution Payment Date (in each case, whether or not a Business Day). Distributions will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Initial Distribution Period

Unless previously redeemed in accordance with the terms of the Securities, Distributions from and including the Issue Date to, but excluding, May 7, 2017 (the “Initial Distribution Period”) shall accrue on the outstanding principal amount of the Securities at a rate of 6.000% per annum and, subject to the provisions described under “— Distribution Deferral”, shall be paid on each Distribution Payment Date in the Initial Distribution Period and on the Distribution Payment Date falling on May 7, 2017.

Reset Distribution Period

Unless previously redeemed in accordance with the terms of the Securities, Distributions from and including May 7, 2017 (the “Reset Distribution Period Commencement Date”) to, but excluding, May 7, 2022 (the “Reset Distribution Period”) shall accrue on the outstanding principal amount of the Securities at the Reset Distribution Rate and, subject to the provisions described under “—Distribution Deferral”, shall be paid on each Distribution Payment Date in the Reset Distribution Period and on the Distribution Payment Date falling on May 7, 2022. The Calculation Agent will cause the Reset Distribution Rate to be notified to the Issuer and the Fiscal Agent without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

Step-Up Reset Distribution Period

Unless previously redeemed in accordance with the terms of the Securities, Distributions from and including May 7, 2022 (the “Step-Up Reset Distribution Period Commencement Date”) to, but excluding, the redemption date (the “Step-Up Reset Distribution Period”) shall accrue on the outstanding principal amount of the Securities at the applicable Step-Up Reset Distribution Rate (which shall be reset on each Reset Date in the Step-Up Reset Distribution Period) and, subject to the provisions described under “— Distribution Deferral”, Distributions shall be paid on each Distribution Payment Date in the Step-Up Reset Distribution Period and on the redemption date. The Calculation Agent will cause the applicable Step-Up Reset Distribution Rate to be notified to the Issuer and the Fiscal Agent without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

Distribution Deferral

The Issuer may, at its sole discretion, elect to defer payment of Distributions, in whole or in part, which are otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a “Deferral Notice”) not more than ten nor less than five Business Days prior to a scheduled Distribution Payment Date.

Any Distribution validly deferred pursuant to the terms of the Securities shall constitute “Arrears of Distribution”. The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of accrued Distributions. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred.

Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the applicable rate described under “— Distributions” and the amount of such accrued Distributions (the “Additional Distribution Amount”) with respect to Arrears of Distribution shall be due and payable on the following Distribution Payment Date, unless further deferred in accordance with the terms of the Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added for the purpose of calculating the Additional Distribution Amount accruing thereafter to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

The Issuer:

(a) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the holders and the Fiscal Agent not more than 20 nor less than ten Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and

(b) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on (1) the next Distribution Payment Date if the Issuer is in violation of the provisions described under "— Restrictions in the Case of Deferral"; (2) the redemption date of the Securities as described under "Redemption"; or (3) the Winding-Up of the Issuer or the Guarantor.

Any partial payment of outstanding Arrears of Distribution by the Issuer shall be shared by the holders of all outstanding Securities on a pro-rata basis.

Restrictions in the Case of Deferral

If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full by reason of the Issuer deferring such Distributions in accordance with the terms of the Securities, the Guarantor shall not:

(a) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on any class of its share capital (including preference shares), its Junior Securities or (except on a pro-rata basis) its Parity Securities; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its share capital (including preference shares), its Junior Securities or its Parity Securities,

unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) the Issuer or the Guarantor is permitted to do so with the consent of the holders of at least a majority in aggregate principal amount of the Outstanding Securities, provided that nothing shall restrict the ability of the Issuer or the Guarantor to advance loans to any of their respective shareholders or shareholders of other subsidiaries of the Guarantor or otherwise invest in such shareholders' debt, howsoever issued or represented.

Redemption

Redemption at the option of the Issuer

On May 7, 2017 and on each Distribution Payment Date thereafter (each an "Optional Redemption Date"), the Issuer may redeem the Securities, 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 any Distributions accrued to, but excluding, the date fixed for redemption.

Redemption for tax reasons

The Securities 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 any Distributions accrued to, but excluding, 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, May 7 2012, the Issuer or the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts with respect to the relevant Securities 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.

Redemption upon an equity classification event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to (i) the Early Redemption Amount plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs prior to May 7, 2017, or (ii) the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs on or after May 7, 2017, if, immediately before giving such notice, the Guarantor delivers a certificate to the Fiscal Agent stating that an amendment, clarification or change has occurred in the equity credit of S&P, Moody's, Fitch or any other rating agency of equivalent international standing requested from time to time by the Guarantor to grant an equity classification to the Securities and/or the Guarantee and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in an equity credit of below 50% for the Securities and/or the Guarantee (for the Issuer, the Guarantor or any of the Guarantor's substantial shareholders).

Redemption for accounting reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to (i) the Early Redemption Amount plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs prior to May 7, 2017, or (ii) the principal amount thereof plus any Distributions accrued to, but excluding, the date fixed for redemption if such redemption occurs on or after May 7, 2017, if, immediately before giving such notice, the Guarantor delivers a certificate to the Fiscal Agent stating that as a result of any change or amendment to, or change or amendment to any interpretation of, HKFRS or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Guarantor (the "Relevant Accounting Standard"), the Securities, in whole or in part, must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard; provided, however that no notice of redemption may be given earlier than 90 days prior to the date on which the relevant change, amendment or interpretation to the Relevant Accounting Standard is due to take effect in relation to the Issuer and/or the Guarantor.

Prior to any redemption of the relevant Securities, 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 Securities are not otherwise subject to redemption at the option of the Issuer or the Guarantor.

Replacement of Capital

Holders are notified that each of the Issuer and the Guarantor, at or around the time of issuance of the Securities, has undertaken for the benefit of holders, from time to time, of designated series of debt securities or guarantee, as the case may be, ranking senior to the Securities or the Guarantee, as the case may be, that it (subject to certain exemptions) will not redeem or repurchase, and to procure that its subsidiaries will not purchase the Securities from the Issue Date, and including, May 7, 2042, unless the Issuer, the Guarantor or one or more of its group entities, which have the purpose to raise financing for the Guarantor and other group entities, has sold or issued shares or certain equity-like instruments during a period of 360 days prior to the date of that redemption or purchase. This undertaking may prevent the Issuer from redeeming or repurchasing the Securities even in circumstances where such redemption or repurchase would be in the interest of the Issuer and the holders.

Additional Amounts

All payments of principal and Distributions in respect of the Securities, 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 Securities 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 Security 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 Security or Guarantee or receiving principal or Distributions in respect thereof, or

(b) in respect of any Security 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 Security 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 Securities; 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 Security to another paying agent.

Unless the context otherwise requires, any reference in the Securities to principal and/or Distributions shall be deemed to include any Additional Amounts which may be payable as described above.

Listing of the Securities

By the Time of Delivery, the Issuer would have made an application for the Securities 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 Organisation 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 Securities 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 Securities 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 Organisation 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.

Modification and Amendment

The Issuer or the Guarantor may, at any time, and the Fiscal Agent shall, upon written request of holders of at least 10% of the Outstanding Securities, call a meeting of holders of the Securities 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 Securities may determine. At a meeting of the holders of the Securities, persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities 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 Securities 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 Securities 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 Securities, with the consent of the holders of at least a majority in aggregate principal amount of the Outstanding Securities 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 Security may, without the consent of each holder of the Securities, (a) change the date for payment of Distributions on any such Security; (b) reduce the principal of or Distributions on any such Security; (c) change the currency of payment of the principal of or Distributions on any such Security; (d) change the provisions or procedures relating to the redemption of the Securities; or (e) reduce the above-stated percentage of aggregate principal amount of Outstanding Securities 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 Securities to modify or amend the Fiscal Agency Agreement with respect to the Securities, or to waive compliance with any of the covenants or conditions referred to above (other than those set forth above as requiring the consent of each holder of a Security) shall be adopted if passed by the lesser of (a) a majority in aggregate principal amount of the Outstanding Securities and (b) 75% in aggregate principal amount of the Outstanding Securities represented and voting at the meeting.

Fiscal Agent

The Bank of New York Mellon will be the Fiscal Agent under the Fiscal Agency Agreement. The Corporate Trust division of the Fiscal Agent is located at 101 Barclay Street, Floor 4E, New York, NY 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 Securities.

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 Securities or on an investor's decision whether to trade in the Securities, or is released to the home market (i.e. the SEHK).

Obligation Currency

To the fullest extent permitted by applicable law, the obligation of the Issuer under the Securities 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 Securities 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 Securities 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 Distributions on any Security, that remain unclaimed and unescheated for one year after the date upon which the last payment of principal of or Distributions on any Security 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 Security 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 Securities, create and issue additional Securities pursuant to the Fiscal Agency Agreement either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distributions on them) and so that such additional Securities may be consolidated and form a single series with such existing Securities or having such other terms as the Issuer may determine at the time of issue.

Notices

Notices to the holders of the Securities will be mailed to them at their respective addresses in the register of the Securities. 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 Securities are represented by global securities and such global securities are held by DTC, notices to owners of beneficial interests in the global securities 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.

"Calculation Agent" means a financial institution of international standing selected by the Issuer. The Calculation Agent shall initially be The Hongkong and Shanghai Banking Corporation Limited.

"Calculation Date" means (a) in relation to calculating the Reset Distribution Rate, the Reset Distribution Period Commencement Date, (b) in relation to calculating a Step-Up Reset Distribution Rate, the applicable Reset Date in the Step-Up Reset Distribution Period and (c) in relation to calculating a Make-Whole Amount, the applicable date fixed for redemption under "— Redemption — Redemption upon an equity classification event" or "— Redemption — Redemption for accounting reasons".

"Comparable Treasury Issue" means (a) in relation to calculating the Reset Distribution Rate or a Step-Up Reset Distribution Rate, the U.S. Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years and (b) in relation to calculating a Make-Whole Amount, the U.S. Treasury security selected by the Calculation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most closely corresponding to the Remaining Life.

“Comparable Treasury Price” means, with respect to a Calculation Date, (a) the average of five Reference Treasury Dealer Quotations for such Calculation Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Calculation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“Distribution Payment Date” means May 7 and November 7 of each year, commencing on November 7, 2012.

“Early Redemption Amount” means the greater of (a) the outstanding principal amount of the Securities and (b) the Make-Whole Amount.

“Fitch” means Fitch Inc., a subsidiary of Fimalac, S.A., and its affiliates.

“Initial Margin” means 5.176% per annum.

“Junior Security” means, in relation to the Issuer or the Guarantor, as the case may be, any class of its share capital qualifying as equity under HKFRS (other than any securities, including preferred stock, explicitly ranking in priority in payment and in all other respects to the equity of the Issuer or the Guarantor, as the case may be, in which case such securities will be Parity Securities).

“Make-Whole Amount” means with respect to any redemption date, the amount, as determined by the Calculation Agent, equal to the sum of (a) the present value of the principal amount of the Securities to be redeemed discounted from the next Optional Redemption Date and (b) the present value of all Distributions payable (or but for any deferral would be payable) on a Distribution Payment Date after such redemption date (exclusive of Distributions accrued to the redemption date) to, and including, the next Optional Redemption Date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 1.5% per annum.

“Moody’s” means Moody’s Investors Services, Inc. and its affiliates.

“Outstanding Securities” means all Securities authenticated and delivered under the Fiscal Agency Agreement except (a) Securities theretofore canceled by, or delivered for cancellation to, the Fiscal Agent; (b) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Fiscal Agent for the holders of such Securities, provided that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to the Fiscal Agency Agreement and the Securities; (c) Securities 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 Securities or in relying upon any request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Fiscal Agent has received written notice to have been so paid or purchased shall be so disregarded); and (d) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to the Fiscal Agency Agreement.

“Parity Securities” means in relation to the Issuer or the Guarantor, as the case may be, any instrument or security issued, entered into or guaranteed by the Issuer or the Guarantor (a) which ranks or is expressed to rank, by its terms or by operation of law, pari passu with the Securities (in the case of the Issuer) or the obligations of the Guarantor under the Guarantee (in the case of the Guarantor) and (b) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer or, as the case may be, the Guarantor. For the avoidance of doubt, Parity Securities shall include, in relation to the Guarantor, the US$2,000,000,000 guaranteed perpetual capital securities of Hutchison Whampoa International (10) Limited and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor.

“Reference Treasury Dealer” means any primary U.S. government securities dealer in The City of New York selected by the Calculation Agent after consultation with the Issuer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of the principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Calculation Date.

"Remaining Life" means the remaining term of the Securities from the applicable redemption date to the next Optional Redemption Date after such redemption date.

"Reset Date" means the Step-Up Reset Distribution Period Commencement Date and the day falling every five calendar years after the Step-Up Reset Distribution Period Commencement Date.

"Reset Distribution Rate" means the Treasury Rate plus the Initial Margin.

"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 managing director, director, 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.

"Step-Up Margin" means 1.00% per annum.

"Step-Up Reset Distribution Rate" means the applicable Treasury Rate plus the Initial Margin plus the Step-Up Margin.

"Standard & Poor's" means Standard & Poor's Ratings Services and its affiliates.

"Treasury Rate" means the rate in percent per annum equal to the yield, under the heading that represents the average for the week immediately prior to the Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities," for the maturity corresponding to the Comparable Treasury Issue (in the case of calculating a Make-Whole Amount, if there is no Comparable Treasury Issue with a maturity within three months before or after the next Optional Redemption Date after such redemption date, yields for the two published maturities most closely corresponding to such Optional Redemption Date will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "Treasury Rate" means the rate in percent per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Treasury Rate will be calculated on the third Business Day preceding the Calculation Date.

"Winding-Up" means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

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 the Securities. Accordingly, payment of principal of (including any premium) and Distribution on, and any transfer of, the Securities 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 Securities and gains derived from the sale of the Securities will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Issuer.

The Issuer has applied for and can expect to receive an undertaking from the Governor-in-Cabinet 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 that 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 that 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 that Issuer to its members or a payment of principal or interest or other sums due under a debenture or other obligation of that Issuer.

No stamp duty is payable in respect of the issue of the Securities and the certificates representing the Securities. An instrument of transfer in respect of Securities or certificates representing Securities is stampable if executed in or brought into the Cayman Islands.

Hong Kong Taxation

Withholding Tax

Under existing Hong Kong law, no withholding tax is payable in respect of payments of principal or Distribution on the Securities or in respect of any capital gains arising from the sale of the Securities.

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 Securities where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Distribution on the Securities will be subject to Hong Kong profits tax where such Distribution is received by or accrued 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 accrued 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 which interest is in respect of the funds of the trade, profession or business.

In relation to income that may arise from the Securities, Hong Kong is not party to any double tax treaty with Singapore or the United States.

Stamp Duty

No stamp duty is payable on the issue of the Securities. Stamp duty may be payable on any transfer of the Securities if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable provided either:

(i) the Securities 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 Securities 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 Securities 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 the Securities should consult with their own professional tax advisors as to the particular consequences of holding the Securities which may affect them.

United States Federal Income Taxation

Any discussion of U.S. federal income tax issues set forth in this offering memorandum was written in connection with the promotion and marketing of the transactions described in this 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 U.S. federal tax penalties that may be imposed on any person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

The following summary describes certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) regarding the ownership and disposition of Securities. This discussion is for general information only and does not address all U.S. federal income tax matters that may be relevant to a particular holder of Securities in light of its particular circumstances, and it does not address any state, local, non-U.S. or alternative minimum tax consequences of the ownership and disposition of Securities.

For purposes of this summary, a U.S. Holder is a beneficial owner of Securities that is a U.S. person. A U.S. person is (i) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any U.S. state or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust (a) if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) that has validly elected to be treated as a U.S. person under applicable U.S. Treasury Regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds Securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold Securities should consult with their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and existing and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein, possibly on a retroactive basis. The following summary is not binding on the U.S. Internal Revenue Service (the “IRS”) or the courts. This summary applies only to U.S. Holders that hold their Securities as capital assets within the meaning of Section 1221 of the Code.

This summary is for general guidance only and does not address the U.S. federal income tax consequences applicable to certain categories of holders of Securities who are subject to special rules under U.S. federal income tax law, including, but not limited to:

- dealers in securities or foreign currencies;
- traders in securities that elect to use a mark-to-market method of accounting;
- certain former citizens or long-term residents of the United States;
- tax-exempt organizations;
- banks, financial institutions, insurance companies, or mutual funds;
- U.S. persons who have a "functional currency" other than the U.S. dollar;
- persons who hold their Securities as part of a straddle, hedge, constructive sale, conversion transaction or other risk management transaction; and
- U.S. Holders who own 10% or more of the Issuer's equity directly, indirectly through one or more entities, or as a result of certain constructive ownership rules of the Code.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any prospective investor, and no representation with respect to the tax consequences to any particular investor is made. Each holder of Securities should consult its own tax advisors with respect to the U.S. federal income tax considerations relevant to such holder in its particular circumstances.

U.S. Federal Income Tax Characterization of the Securities

For U.S. federal income tax purposes, one of the primary characteristics used to distinguish the treatment of an instrument as debt from an instrument treated as equity is whether the instrument, according to its terms, involves an unconditional promise to pay a fixed sum certain on a particular date in the future. The Issuer believes that the Securities, due to their perpetual term, should be treated as equity for U.S. federal income tax purposes, and the following discussion assumes such treatment. However, no assurance can be given that the IRS will not assert that the Securities should be treated as indebtedness of the Issuer or in some other manner for U.S. federal income tax purposes. If the Securities were treated as indebtedness of the Issuer for U.S. federal income tax purposes, the timing, amount and character of income, gain or loss recognized by a U.S. Holder could be different. Each holder of Securities should consult its own tax advisors with respect to the U.S. federal income tax characterization of the Securities.

Distributions

Subject to the passive foreign investment company ("PFIC") rules discussed below, the gross amount of each Distribution with respect to the Securities will be taxable to a U.S. Holder as a dividend to the extent of the Issuer's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. In general, to the extent that the amount of a distribution exceeds a non-U.S. corporation's current and accumulated earnings and profits, such distribution is first treated as a tax-free return of capital, causing a reduction in a U.S. investor's adjusted basis in the non-U.S. corporation's stock, and any balance in excess of the adjusted basis is subject to tax as capital gain. The Issuer expects to have earnings and profits in an amount at least equal to Distributions paid on the Securities, and U.S. Holders should expect that the full amount of each Distribution will be taxable as a dividend for U.S. federal income tax purposes. Distributions will not be eligible for the reduced rate of taxation available to non-corporate U.S. persons in respect of "qualified dividend income".

Distributions will be includable in a U.S. Holder's gross income on the date actually or constructively received by the U.S. Holder. Distributions will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

A U.S. Holder may be entitled to claim a U.S. foreign tax credit for, or deduct, any non-U.S. taxes that are withheld on Distributions received by the U.S. Holder, subject to applicable limitations in the Code. Distributions paid on the Securities will be foreign source and generally will be "passive category income" or, in certain circumstances, "general category income" for U.S. foreign tax credit limitation purposes. The amount of foreign income taxes that may be claimed as a credit in any year is subject to complex limitations and restrictions, which must be determined on an individual basis by each U.S. Holder. U.S. Holders are urged to consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

Sale, Exchange, Redemption or Other Disposition

Subject to the PFIC rules discussed below, upon the sale, exchange, redemption or other disposition of a Security, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption or other disposition and the U.S. Holder's adjusted tax basis in the Security. The capital gain or loss generally will be long-term capital gain or loss if, at the time of sale, exchange or other disposition, the U.S. Holder has held the Security for more than one year. Net long-term capital gains of non-corporate U.S. Holders, including individuals, currently are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss that a U.S. Holder recognizes generally will be treated as gain or loss from sources within the United States for purposes of the U.S. foreign tax credit limitation discussed above.

PFIC Rules

Special U.S. federal income tax rules would apply to a U.S. Holder of Securities if the Issuer were a PFIC at any time during which the U.S. Holder held Securities. A non-U.S. corporation generally is classified as a PFIC for U.S. federal income tax purposes in any taxable year if either (i) at least 75% of its gross income is "passive" income or (ii) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

The Issuer's primary purpose is to act as a financing subsidiary of the Guarantor, and the Issuer initially will invest the proceeds from the sale of the Securities in equity securities of one or more direct or indirect 100%-owned subsidiaries of the Guarantor. As such, the PFIC determination for the Issuer will depend in large part on the terms of its investments and the nature of the income and operations of the related subsidiaries in which it invests. Based on the composition of the income and assets of such subsidiaries, the Issuer does not expect to be a PFIC for its current taxable year, and the Issuer intends to structure its investments and conduct its affairs so as to cause the Issuer not to be classified as a PFIC for the foreseeable future taxable years. As the determination of whether the Issuer is a PFIC is a complex legal and factual determination that must be made at the end of each taxable year, no assurance can be provided that the Issuer will not be a PFIC for its current taxable year or any future taxable year.

If the Issuer were a PFIC in any taxable year, a U.S. Holder generally would be taxed at ordinary income tax rates on any gain realized on the sale or exchange of Securities and on any "excess distributions" received. Excess distributions would be amounts received by the U.S. Holder with respect to its Securities in any taxable year that exceeded 125% of the average distributions received by the U.S. Holder in the shorter of either the three previous years or the U.S. Holder's holding period for the Securities before that taxable year. Gain and excess distributions would be allocated ratably to each day that the U.S. Holder held Securities. Amounts allocated to the current taxable year and to any years before the Issuer became a PFIC would be treated as ordinary income. In addition, amounts allocated to each taxable year beginning with the year the Issuer first became a PFIC would be taxed at the highest rate in effect for that year on ordinary income. The tax would be subject to an interest charge at the rate applicable to underpayments of income tax. Special rules would also apply for calculating the amount of the U.S. foreign tax credit with respect to excess distributions received from the Issuer.

If the Securities constitute "marketable stock", a U.S. Holder may be eligible to make a mark-to-market election with respect to the Securities to mitigate the adverse U.S. federal income tax consequences if the Issuer ever becomes a PFIC. In such case, a U.S. Holder would generally include as ordinary income or loss the difference between the fair market value of the Security at the end of the taxable year and the adjusted tax basis of the Security (but loss could only be included to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder made the election, the U.S. Holder's tax basis in the Securities would be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of Securities would be treated as ordinary income.

The mark-to-market election is available only for "marketable stock", which is stock that is regularly traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange, or other market, as defined in the applicable U.S. Treasury Regulations. The Securities are expected to be listed on the SGX-ST, which is expected to be treated as a "qualified exchange" for purposes of the mark-to-market election. No assurance can be given that the Securities will be "regularly traded" for purposes of the mark-to-market election.

The Issuer does not intend to provide U.S. Holders with the information necessary to make a "qualified electing fund" or QEF election if the Issuer ever becomes a PFIC. If the Issuer ever becomes a PFIC, U.S. Holders generally would be required to file IRS Form 8621, or any other form specified by the U.S. Treasury Department, for each year in which they hold Securities. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it if the Issuer ever becomes a PFIC and the advisability of making a mark-to-market election in its particular circumstances.

Information Reporting and Backup Withholding

In general, unless a U.S. Holder belongs to a category of certain exempt recipients, information reporting requirements will apply to distributions as well as proceeds of sales of Securities that are effected through the U.S. office of a broker or the non-U.S. office of a broker that has certain connections with the United States. Backup withholding may apply to these payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of exempt status, fails to report in full dividend and interest income or, in certain circumstances, fails to comply with applicable certification requirements. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. Holder's U.S. federal income tax, provided the U.S. Holder furnishes the required information to the IRS in a timely manner.

In addition U.S. Holders who are individuals who hold certain foreign financial assets (which may include Securities) may be required to report information relating to such assets, subject to certain exceptions (including an exception for Securities held in accounts maintained by certain financial institutions). Each U.S. Holder should consult its own tax advisor regarding the effect, if any, of this reporting requirement on its ownership and disposition of Securities.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Securities through the initial purchasers named below (the "Initial Purchasers"). Subject to the terms and conditions contained in a purchase agreement dated as of May 2, 2012 (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 Securities listed opposite its name below.

Initial Purchaser	Principal Amount of Securities
Goldman Sachs (Asia) L.L.C.	US$500,000,000
The Hongkong and Shanghai Banking Corporation Limited	US$500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Securities 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 Securities at the price listed on the cover page of this offering memorandum. After the initial offering, the price to investors, concessions and discounts may be changed.

Each of the Issuer and the Guarantor has agreed with 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 Securities to be sold under the Purchase Agreement, any securities of the Issuer (other than the Securities) that are denominated in a currency in which the Securities are denominated and are substantially similar to the Securities issued by it or the Guarantee of the Guarantor, without the prior written consent of the Initial Purchasers.

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 Securities Are Not Being Registered

Each of the Initial Purchasers has agreed that it will not offer or sell the Securities 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; or

- 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 Securities (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 Securities commence 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 Securities (other than a sale of Securities pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities 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 Securities 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 the offering and the Time of Delivery, an offer or sale of the Securities within the United States by a dealer (whether or not participating in the 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 of the Initial Purchasers proposes to offer the Securities in transactions not requiring registration under applicable state securities laws.

Each purchaser of the Securities 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 Securities.

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 Securities, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws 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 the Laws 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 Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities 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.

European Economic Area Selling Restrictions

In relation to each member state of the European Economic Area ("EEA") that has implemented the Prospectus Directive (as defined below) (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that member state, it has not made and will not make an offer to the public of any Securities in that Relevant Member State, except that it may make an offer to the public in that Relevant Member State of any Securities at any time under the following exemptions under the Prospectus Directive, if they have been implemented in the Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive;

provided that no such offer of Securities shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes hereof, the expression of an “offer to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the sale and the Securities to be offered so as to enable an investor to decide to purchase the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. For the purposes hereof, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Republic of Italy Selling Restrictions

The offering of the Securities has not been cleared by the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities laws, rules and regulations. Each of the Initial Purchasers has not offered, sold or delivered, directly or indirectly, nor distributed, and will not offer, sell or deliver nor distribute, the Securities or copies of this offering memorandum or any other document relating to the Securities in the Republic of Italy, except:

(a) to “qualified investors” (*investitori qualificati*), as defined pursuant to Article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “Regulation on Issuers”); or

(b) in other circumstances which are exempt from the rules on public offers pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Italian Securities Act”) and its implementing CONSOB regulations, including the Regulation on Issuers.

Any such offer, sale or delivery of the Securities or distribution of copies of this offering memorandum or any other document relating to the Securities in the Republic of Italy in compliance with the selling restrictions under (a) and (b) above have been made or will be made:

(i) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Securities Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Securities Act, CONSOB Regulation 16190 of October 29, 2007, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Act”) and any other applicable laws and regulations; and

(ii) in compliance with any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy or any other Italian regulatory authority.

Any investor purchasing the Securities is solely responsible for ensuring that any offer or resale of the Securities it purchased occurs in compliance with applicable laws and regulations.

In accordance with Article 100-*bis* of the Italian Securities Act, the subsequent resale on the secondary market in the Republic of Italy of the Securities (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Italian Securities Act and the Regulation on Issuers unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Securities being declared null and void and in the liability of the intermediary transferring the Securities for any damage suffered by the investors.

Switzerland Selling Restrictions

The Securities will not be listed on the SIX Swiss Exchange Ltd. (“SIX”) or any other stock exchange or other regulated trading facility in Switzerland, and this offering memorandum has been prepared without regard to the disclosure standards for issuance of prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or disclosure standards for listing prospectuses under Article 27 et seqq. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Each of the Initial Purchasers has represented and agreed that it has not and will not (i) publicly offer the Securities in Switzerland and (ii) publicly distribute or otherwise make publicly available in Switzerland this offering memorandum nor any other offering or marketing material relating to the Securities or the offering thereof.

Neither this offering memorandum nor any other offering or marketing material relating to the offering of the Securities, Hutchison or the Securities have been filed with or approved by any Swiss regulatory authority. In particular, this offering memorandum has not been filed with, and the offer of the Securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of the Securities has not been authorized under the Swiss Federal Act on Collective Investment Scheme ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Securities.

Japan Selling Restrictions

The Securities 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 Securities in Japan or to, or for the benefit of, any resident in Japan, or to others for reoffering or resale, directly or indirectly 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 Financial Instruments and Exchange Law and other applicable laws and regulations of Japan. As used in this paragraph, "resident in Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

The Netherlands Selling Restrictions

Each of the Initial Purchasers has represented and agreed that the Securities will only be offered in the Netherlands to Qualified Investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*.

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 represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase, nor will it offer or sell the Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and it 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 Securities, 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 Securities, 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 Securities 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 represented and 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 Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities 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 Securities. Such transactions consist of bids or purchases to peg, fix or maintain the prices of the Securities. If the Stabilizing Manager or anyone acting on its behalf creates a short position in the Securities in connection with the offering, i.e., if it sells more Securities than are listed on the cover page of this offering memorandum, such Initial Purchaser may reduce that short position by purchasing Securities 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 of 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 Securities. In addition, neither of 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 Securities. No assurance can be given as to the liquidity of, or trading market for, the Securities. The Issuer cannot guarantee that the application to the SGX-ST will be approved. The offering and the settlement of the Securities is not conditional on obtaining listing on such exchange.

Other Relationships

Certain of the Initial Purchasers or its 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, purchases are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Securities.

Each purchaser of the Securities 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 Securities to it is being made in reliance on Rule 144A, and (iii) is acquiring such Securities 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 Securities 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 Securities or any beneficial interests in any Securities other than Securities represented by a Regulation S global certificate, such Securities 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 Securities 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 Securities from it of the resale restrictions referred to in clause 3 above, if then applicable;

5. it understands and agrees that (A) Securities initially offered in the United States to qualified institutional buyers will be represented by Rule 144A global certificates and (B) that Securities offered outside the United States in reliance on Regulation S will be represented by Regulation S global certificates;

6. it understands that the Securities, other than Securities 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 (12) 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 Securities represented by Regulation S certificates or any beneficial interest in any Securities represented by Regulation S certificates, such Securities 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 Securities 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 , 2012 (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, 2012 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 SECURITIES 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 SECURITIES 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 Securities in certificated form or of beneficial interests in Securities represented by a global certificate (in each case other than pursuant to an effective registration statement), the holder of Securities or the holder of beneficial interests in Securities 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 acknowledgements, representation and agreements and agrees that, if any of such acknowledges, representation or warranty deemed to have been made by virtue of its purchase of Securities are no longer accurate, it shall promptly notify the Issuer and the Guarantor, and if it is acquiring any Securities 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 acknowledges, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the relevant Fiscal Agency Agreement to effect exchanges of transfer of interests in Securities represented by a global certificate and of Securities in certificated form, see "Description of the Securities and the Guarantee — Securities: Delivery and Form".

AVAILABLE INFORMATION

If at any time the Guarantor is neither subject to the reporting requirements under Section 13 or 15(d) of the U.S. Securities Exchange Act, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, it will furnish, upon request, to any holder of the Securities purchased pursuant to Rule 144A under the Securities Act or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

RATINGS

The Securities are expected to be rated "BBB" by Fitch, "Baa2" by Moody's and "BBB" by S&P. The credit ratings accorded to the notes are not a recommendation to purchase, hold or sell the Securities 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.

LEGAL MATTERS

The Issuer and the Guarantor are being represented as to U.S. federal and New York State law matters by Sullivan & Cromwell. Certain legal matters under Cayman Islands law will be passed upon for the Issuer by Maples and Calder. Certain legal matters under Hong Kong law will be passed upon for the Issuer and the Guarantor by Woo, Kwan, Lee & Lo. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Allen & Overy with respect to matters of U.S. federal and New York State law.

INDEPENDENT AUDITOR

The consolidated financial statements of Hutchison as of December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010 (with comparative financial information for the year ended December 31, 2009) included in this offering memorandum have been audited by PwC, Certified Public Accountants, as stated in their reports dated March 29, 2012 and March 29, 2011, respectively.

GENERAL INFORMATION

1. The Securities 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 Securities represented by Rule 144A global certificates and the Securities represented by Regulation S global certificates and the International Security Identification Numbers ("ISIN") for the Securities represented by Rule 144A global certificates and the Securities represented by Regulation S global certificates are as follow:

	Securities
Common Code for Rules 144A Global Certificates	078005653
Common Code for Regulation S Global Certificates	078005327
CUSIP Number for Rule 144A Global Certificates	44842B AA3
CUSIP Number for Regulation S Global Certificates	G4673L AA2
ISIN for Rule 144A Global Certificates	US44842BAA35
ISIN for Regulation S Global Certificates	USG4673LAA29

2. Application will be made to SGX-ST for permission to deal in and the listing of the Securities 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 Organsation for Economic Co-operation and Development, for permission to deal in and the listing of the Securities. However the Issuer cannot guarantee that the application to the SGX-ST or such other stock exchange will be approved. The settlement of the Securities 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 Securities 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 Securities 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 Organisation 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 Securities 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 Securities are listed on the SGX-ST and the rules of that exchange so require.

   For so long as any of the Securities 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 Securities may be presented or surrendered for payment or redemption, in the event that a Global Security representing Securities is exchanged for definitive Securities. In addition, in the event that a Global Security representing Securities is exchanged for definitive Securities, 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 Securities, 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 Securities, except as disclosed in this offering memorandum. The issue of the Securities was approved by resolutions of the Issuer passed on April 26, 2012, and the giving of the Guarantee of the Securities by the Guarantor was authorized by resolutions of the Guarantor passed on April 26, 2012.

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, 2011 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 the Issuer and the Guarantor and copies of the Fiscal Agency 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 Securities remains outstanding, copies of the Guarantor's annual report in English prepared in accordance with the rules and regulations of 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 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 statement of financial position and certain Securities 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 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 statement of financial position 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 independent auditor or audit committee, containing the unaudited consolidated statement of financial position, income statement, statement of cash flows 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.

CONSOLIDATED FINANCIAL STATEMENTS OF HUTCHISON

The consolidated financial statements for the years ended December 31, 2010 and 2009 have not been updated for accounting policy changes applied with effect from January 1, 2011. Please refer to the section headed "Selected Consolidated Financial Information of Hutchison" for details.

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 142 to 238, which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view 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 consolidated 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 2011, 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, 29 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

2011 US$ millions		Note	2011 HK$ millions	As restated Note 1 2010 HK$ millions
	Company and subsidiary companies:			
29,962	Revenue	4, 5	233,700	209,180
(11,931)	Cost of inventories sold		(93,059)	(78,321)
(3,909)	Staff costs		(30,488)	(28,768)
(2,884)	Telecommunications customer acquisition costs		(22,497)	(16,013)
(1,805)	Depreciation and amortisation	5	(14,080)	(14,932)
(6,802)	Other operating expenses	5	(53,055)	(50,456)
–	Change in fair value of investment properties		–	855
5,532	Profits on disposal of investments and others	6	43,147	–
	Share of profits less losses after tax of:			
1,772	Associated companies	19	13,819	6,469
753	Jointly controlled entities	20	5,877	9,387
10,688		5	83,364	37,401
(1,079)	Interest expenses and other finance costs	8	(8,415)	(8,476)
9,609	**Profit before tax**		74,949	28,925
(415)	Current tax	9	(3,237)	(2,493)
276	Deferred tax credit (charge)	9	2,150	(706)
9,470	**Profit after tax**		73,862	25,726
(2,288)	**Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities**		(17,843)	(5,547)
7,182	**Profit attributable to ordinary shareholders of the Company**	11	56,019	20,179
US$ 1.68	**Earnings per share for profit attributable to ordinary shareholders of the Company**	11	HK$ 13.14	HK$ 4.73

Details of distributions paid to the holders of perpetual capital securities and interim dividend paid and proposed final dividend payable to the ordinary shareholders of the Company are set out in note 10.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

2011 US$ millions		Note	2011 HK$ millions	As restated Note 1 2010 HK$ millions
9,470	**Profit after tax**		**73,862**	25,726
	Other comprehensive income (losses)			
	Available-for-sale investments:			
38	Valuation gains recognised directly in reserves		**298**	1,001
(36)	Valuation gains previously in reserves recognised in income statement for the year		**(280)**	(839)
(206)	Net actuarial gains (losses) of defined benefit plans recognised directly in reserves		**(1,607)**	463
	Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
(31)	Gains (losses) recognised directly in reserves		**(240)**	52
1	Losses (gains) previously in reserves recognised in initial cost of non-financial items for the year		**7**	(25)
208	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		**1,620**	(6,152)
120	Losses (gains) previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year		**937**	(17)
1	Revaluation gains recognised directly in reserves upon transfer from other properties to investment properties		**8**	–
(452)	Share of other comprehensive income (losses) of associated companies for the year		**(3,530)**	2,520
208	Share of other comprehensive income of jointly controlled entities for the year		**1,626**	1,840
(149)	Other comprehensive income (losses) before tax		**(1,161)**	(1,157)
13	Tax relating to components of other comprehensive income (losses)	12	**106**	(140)
(136)	Other comprehensive income (losses) after tax		**(1,055)**	(1,297)
9,334	**Total comprehensive income**		**72,807**	24,429
(2,199)	**Allocated as: Attributable to non-controlling interests and holders of perpetual capital securities**		**(17,150)**	(6,019)
7,135	**Attributable to ordinary shareholders of the Company**		**55,657**	18,410

Consolidated Statement of Financial Position

at 31 December 2011

31 December 2011 US$ millions		Note	31 December 2011 HK$ millions	As restated Note 1 31 December 2010 HK$ millions	As restated Note 1 1 January 2010 HK$ millions
	ASSETS				
	Non-current assets				
19,936	Fixed assets	13	**155,502**	167,851	176,192
5,463	Investment properties	14	**42,610**	43,240	42,323
1,282	Leasehold land	15	**10,004**	27,561	29,191
9,680	Telecommunications licences	16	**75,503**	68,333	70,750
3,377	Goodwill	17	**26,338**	27,332	28,858
1,617	Brand names and other rights	18	**12,615**	12,865	7,351
17,654	Associated companies	19	**137,703**	105,589	83,777
8,662	Interests in joint ventures	20	**67,562**	54,103	51,634
2,178	Deferred tax assets	21	**16,992**	14,097	14,650
1,306	Other non-current assets	22	**10,184**	9,131	5,286
2,595	Liquid funds and other listed investments	23	**20,239**	24,585	23,213
73,750			**575,252**	554,687	533,225
	Current assets				
8,531	Cash and cash equivalents	24	**66,539**	91,652	92,521
7,737	Trade and other receivables	25	**60,345**	57,229	48,146
2,360	Inventories		**18,408**	17,733	16,593
18,628			**145,292**	166,614	157,260
	Current liabilities				
10,012	Trade and other payables	26	**78,093**	80,889	73,029
3,697	Bank and other debts	28	**28,835**	23,122	17,589
312	Current tax liabilities		**2,431**	2,900	3,249
14,021			**109,359**	106,911	93,867
4,607	**Net current assets**		**35,933**	59,703	63,393
78,357	**Total assets less current liabilities**		**611,185**	614,390	596,618
	Non-current liabilities				
24,323	Bank and other debts	28	**189,719**	228,134	242,851
834	Interest bearing loans from non-controlling shareholders	29	**6,502**	13,493	13,424
1,140	Deferred tax liabilities	21	**8,893**	9,857	9,063
383	Pension obligations	30	**2,992**	1,702	2,436
551	Other non-current liabilities	31	**4,296**	3,945	4,520
27,231			**212,402**	257,131	272,294
51,126	**Net assets**		**398,783**	357,259	324,324

31 December 2011 US$ millions		Note	31 December 2011 HK$ millions	As restated Note 1 31 December 2010 HK$ millions	As restated Note 1 1 January 2010 HK$ millions
	CAPITAL AND RESERVES				
137	Share capital	32	**1,066**	1,066	1,066
2,000	Perpetual capital securities	32	**15,600**	15,600	–
43,967	Reserves		**342,946**	297,367	285,829
46,104	**Total ordinary shareholders' funds and perpetual capital securities**		**359,612**	314,033	286,895
5,022	Non-controlling interests		**39,171**	43,226	37,429
51,126	**Total equity**		**398,783**	357,259	324,324

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

2011 US$ millions		Note	2011 HK$ millions	As restated Note 1 2010 HK$ millions
	Operating activities			
8,023	Cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications customer acquisition costs and changes in working capital	33(a)	**62,578**	59,275
(992)	Interest expenses and other finance costs paid		**(7,738)**	(7,763)
(414)	Tax paid		**(3,231)**	(2,617)
6,617	Funds from operations before telecommunications customer acquisition costs		**51,609**	48,895
(2,884)	Telecommunications customer acquisition costs		**(22,497)**	(16,013)
3,733	**Funds from operations**		**29,112**	32,882
1,275	Changes in working capital	33(b)	**9,948**	(3,015)
5,008	**Net cash from operating activities**		**39,060**	29,867
	Investing activities			
(3,210)	Purchase of fixed assets and investment properties		**(25,039)**	(21,683)
(14)	Additions to leasehold land		**(110)**	(54)
(730)	Additions to telecommunications licences	16, 33(e)	**(5,693)**	(146)
(10)	Additions to brand names and other rights	18, 33(e)	**(82)**	(461)
–	Purchase of subsidiary companies	33(c)	**1**	–
(17)	Additions to other unlisted investments and long term receivables		**(129)**	(4,163)
326	Repayments from associated companies and jointly controlled entities		**2,546**	1,203
(3,304)	Purchase of and advances to (including deposits from) associated companies and jointly controlled entities		**(25,768)**	(16,056)
200	Proceeds on disposal of fixed assets, leasehold land and investment properties		**1,554**	9,997
4,565	Proceeds on disposal / de-recognition of subsidiary companies	33(d)	**35,609**	(69)
32	Proceeds on disposal of associated companies		**250**	1
–	Proceeds on disposal of jointly controlled entities		**–**	10
73	Proceeds on disposal of other unlisted investments		**566**	589
(2,089)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		**(16,295)**	(30,832)
576	Disposal of liquid funds and other listed investments		**4,498**	523
(39)	Additions to liquid funds and other listed investments		**(306)**	(1,227)
(1,552)	**Cash flows used in investing activities**		**(12,103)**	(31,536)
3,456	**Net cash inflow (outflow) before financing activities**		**26,957**	(1,669)

2011 US$ millions		Note	2011 HK$ millions	As restated Note 1 2010 HK$ millions
	Financing activities			
2,430	New borrowings		**18,957**	41,232
(5,386)	Repayment of borrowings		**(42,014)**	(49,434)
161	Issue of shares by subsidiary companies to non-controlling shareholders and net loans from non-controlling shareholders		**1,260**	8,105
(617)	Payments to acquire additional interests in subsidiary companies		**(4,816)**	(4,727)
–	Proceeds on issue of perpetual capital securities, net of transaction costs		**–**	15,464
(2,072)	Dividends paid to non-controlling interests		**(16,165)**	(2,465)
(120)	Distributions paid on perpetual capital securities		**(936)**	–
(1,071)	Dividends paid to ordinary shareholders		**(8,356)**	(7,375)
(6,675)	**Cash flows from (used in) financing activities**		**(52,070)**	800
(3,219)	Decrease in cash and cash equivalents		**(25,113)**	(869)
11,750	Cash and cash equivalents at 1 January		**91,652**	92,521
8,531	**Cash and cash equivalents at 31 December**		**66,539**	91,652
	Analysis of cash, liquid funds and other listed investments			
8,531	Cash and cash equivalents, as above	24	**66,539**	91,652
2,595	Liquid funds and other listed investments	23	**20,239**	24,585
11,126	**Total cash, liquid funds and other listed investments**		**86,778**	116,237
27,417	Total principal amount of bank and other debts	28	**213,854**	247,362
834	Interest bearing loans from non-controlling shareholders	29	**6,502**	13,493
17,125	**Net debt**		**133,578**	144,618
(834)	Interest bearing loans from non-controlling shareholders		**(6,502)**	(13,493)
16,291	**Net debt (excluding interest bearing loans from non-controlling shareholders)**		**127,076**	131,125

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Attributable to								
	Ordinary shareholders								
	Share capital and premium [(a)]	Exchange reserve	Other reserves [(b)]	Retained profit	Sub-total	Holders of perpetual capital securities [(c)]	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2011, as previously reported	29,425	3,477	3,353	257,478	293,733	15,764	309,497	43,205	352,702
Prior year adjustments in respect of a change in accounting policy (see note 1)	–	(2)	31	4,507	4,536	–	4,536	21	4,557
At 1 January 2011, as restated	29,425	3,475	3,384	261,985	298,269	15,764	314,033	43,226	357,259
Profit for the year	–	–	–	56,019	56,019	936	56,955	16,907	73,862
Other comprehensive income (losses)									
Available-for-sale investments:									
Valuation gains recognised directly in reserves	–	–	273	–	273	–	273	25	298
Valuation gains previously in reserves recognised in income statement for the year	–	–	(236)	–	(236)	–	(236)	(44)	(280)
Net actuarial losses of defined benefit plans recognised directly in reserves	–	–	–	(1,394)	(1,394)	–	(1,394)	(213)	(1,607)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:									
Losses recognised directly in reserves	–	–	(199)	–	(199)	–	(199)	(41)	(240)
Losses previously in reserves recognised in initial cost of non-financial items for the year	–	–	7	–	7	–	7	–	7
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	1,656	–	–	1,656	–	1,656	(36)	1,620
Losses (gains) previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	–	1,074	(22)	(14)	1,038	–	1,038	(101)	937
Revaluation gains recognised directly in reserves upon transfer from other properties to investment properties	–	–	6	–	6	–	6	2	8
Share of other comprehensive income (losses) of associated companies for the year	–	(565)	(903)	(1,538)	(3,006)	–	(3,006)	(524)	(3,530)
Share of other comprehensive income (losses) of jointly controlled entities for the year	–	1,387	48	(25)	1,410	–	1,410	216	1,626
Tax relating to components of other comprehensive income (losses)	–	–	(54)	137	83	–	83	23	106
Other comprehensive income (losses)	–	3,552	(1,080)	(2,834)	(362)	–	(362)	(693)	(1,055)
Total comprehensive income (losses)	–	3,552	(1,080)	53,185	55,657	936	56,593	16,214	72,807
Dividends paid relating to 2010	–	–	–	(6,011)	(6,011)	–	(6,011)	–	(6,011)
Dividends paid relating to 2011	–	–	–	(2,345)	(2,345)	–	(2,345)	–	(2,345)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(16,057)	(16,057)
Distributions paid on perpetual capital securities	–	–	–	–	–	(936)	(936)	–	(936)
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	3,505	3,505
Share option schemes of subsidiaries	–	–	9	–	9	–	9	3	12
Relating to acquisition of a subsidiary	–	–	–	–	–	–	–	7	7
Relating to purchase of non-controlling interests	–	–	(3,033)	–	(3,033)	–	(3,033)	(1,777)	(4,810)
Relating to partial disposal / disposal / de-recognition of subsidiary companies	–	(59)	4,352	(2,991)	1,302	–	1,302	(5,950)	(4,648)
At 31 December 2011	29,425	6,968	3,632	303,823	343,848	15,764	359,612	39,171	398,783

	Attributable to								
	Ordinary shareholders								
	Share capital and premium [a]	Exchange reserve	Other reserves [b]	Retained profit	Sub-total	Holders of perpetual capital securities [c]	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2010, as previously reported	29,425	6,100	2,233	244,741	282,499	–	282,499	37,413	319,912
Prior year adjustments in respect of a change in accounting policy (see note 1)	–	(1)	31	4,366	4,396	–	4,396	16	4,412
At 1 January 2010, as restated	29,425	6,099	2,264	249,107	286,895	–	286,895	37,429	324,324
Profit for the year	–	–	–	20,179	20,179	164	20,343	5,383	25,726
Other comprehensive income (losses)									
Available-for-sale investments:									
Valuation gains recognised directly in reserves	–	–	833	–	833	–	833	168	1,001
Valuation gains previously in reserves recognised in income statement for the year	–	–	(679)	–	(679)	–	(679)	(160)	(839)
Net actuarial gains of defined benefit plans recognised directly in reserves	–	–	–	454	454	–	454	9	463
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:									
Gains recognised directly in reserves	–	–	44	–	44	–	44	8	52
Gains previously in reserves recognised in initial cost of non-financial items for the year	–	–	(25)	–	(25)	–	(25)	–	(25)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(6,244)	–	–	(6,244)	–	(6,244)	92	(6,152)
Losses (gains) previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	–	(13)	1	–	(12)	–	(12)	(5)	(17)
Share of other comprehensive income (losses) of associated companies for the year	–	2,015	380	(27)	2,368	–	2,368	152	2,520
Share of other comprehensive income (losses) of jointly controlled entities for the year	–	1,618	26	(8)	1,636	–	1,636	204	1,840
Tax relating to components of other comprehensive income	–	–	(9)	(135)	(144)	–	(144)	4	(140)
Other comprehensive income (losses)	–	(2,624)	571	284	(1,769)	–	(1,769)	472	(1,297)
Total comprehensive income (losses)	–	(2,624)	571	20,463	18,410	164	18,574	5,855	24,429
Dividends paid relating to 2009	–	–	–	(5,201)	(5,201)	–	(5,201)	–	(5,201)
Dividends paid relating to 2010	–	–	–	(2,174)	(2,174)	–	(2,174)	–	(2,174)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(2,620)	(2,620)
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	7,973	7,973
Transaction costs in relation to equity contribution from non-controlling interests	–	–	–	(107)	(107)	–	(107)	(19)	(126)
Share option schemes of subsidiaries	–	–	(40)	–	(40)	–	(40)	2	(38)
Share option lapsed	–	–	(28)	28	–	–	–	–	–
Unclaimed dividends write back	–	–	–	5	5	–	5	–	5
Issuance of perpetual capital securities	–	–	–	–	–	15,600	15,600	–	15,600
Transaction costs in relation to issuance of perpetual capital securities	–	–	–	(136)	(136)	–	(136)	–	(136)
Relating to purchase of non-controlling interests	–	–	617	–	617	–	617	(5,387)	(4,770)
Relating to disposal of subsidiary companies	–	–	–	–	–	–	–	(7)	(7)
At 31 December 2010	29,425	3,475	3,384	261,985	298,269	15,764	314,033	43,226	357,259

(a) Share capital and premium comprise share capital of HK$1,066 million, share premium of HK$27,955 million and capital redemption reserve of HK$404 million in all reporting years.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2011, revaluation reserve surplus amounted to HK$2,277 million (1 January 2011 – HK$2,273 million and 1 January 2010 – HK$2,084 million), hedging reserve deficit amounted to HK$623 million (1 January 2011 – surplus of HK$501 million and 1 January 2010 – surplus of HK$120 million) and other capital reserves surplus amounted to HK$1,978 million (1 January 2011 – HK$610 million and 1 January 2010 – HK$60 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 cash flow hedges are included in the hedging reserve.

(c) In October 2010, a wholly owned subsidiary company of the Group issued subordinated guaranteed perpetual capital securities (the "perpetual capital securities") with a nominal amount of US$2,000 million (approximately HK$15,600 million) for cash, which are classified as equity under Hong Kong Financial Reporting Standards.

(d) The Group's share of exchange reserve of associated companies and jointly controlled entities are losses of HK$163 million (2010 – gains of HK$1,597 million) and gains of HK$1,110 million (2010 – losses of HK$1,033 million) respectively. The Group's share of actuarial losses which are recognised directly in equity by associated companies and jointly controlled entities amounted to HK$1,540 million (2010 – gains of HK$242 million) and HK$25 million (2010 – HK$8 million) respectively.

1 Basis of preparation

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

In addition, the Group has adopted amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets", with retrospective effect, ahead of its mandatory effective date of 1 January 2012. As a result of the adoption of amendments to HKAS 12, the Group now measures deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

The effects, where material, of the adoption of amendments to HKAS 12 "Income Taxes" are summarised below:

(a) Estimated effect on the consolidated income statement for the year ended 31 December 2011

	Amendments to HKAS 12 "Income Taxes" HK$ millions
Company and subsidiary companies:	
Revenue	–
Cost of inventories sold	–
Staff costs	–
Telecommunications customer acquisition costs	–
Depreciation and amortisation	–
Other operating expenses	–
Change in fair value of investment properties	–
Profits on disposal of investments and others	–
Share of profits less losses after tax of:	
Associated companies	25
Jointly controlled entities	44
	69
Interest expenses and other finance costs	–
Profit before tax	69
Current tax	–
Deferred tax credit (charge)	–
Profit after tax	69
Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities	–
Profit attributable to ordinary shareholders of the Company	69
Earnings per share for profit attributable to ordinary shareholders of the Company	HK$ 0.016

1 Basis of preparation (continued)

(b) Estimated effect on the consolidated statement of financial position as at 31 December 2011

	Amendments to HKAS 12 "Income Taxes" HK$ millions
ASSETS	
Non-current assets	
Fixed assets	–
Investment properties	–
Leasehold land	–
Telecommunications licences	–
Goodwill	–
Brand names and other rights	–
Associated companies	86
Interests in joint ventures	115
Deferred tax assets	(8)
Other non-current assets	–
Liquid funds and other listed investments	–
	193
Current assets	
Cash and cash equivalents	–
Trade and other receivables	–
Inventories	–
	–
Current liabilities	
Trade and other payables	–
Bank and other debts	–
Current tax liabilities	–
	–
Net current assets	–
Total assets less current liabilities	193
Non-current liabilities	
Bank and other debts	–
Interest bearing loans from non-controlling shareholders	–
Deferred tax liabilities	(4,433)
Pension obligations	–
Other non-current liabilities	–
	(4,433)
Net assets	4,626
CAPITAL AND RESERVES	
Share capital	–
Perpetual capital securities	–
Reserves	4,620
Total ordinary shareholders' funds and perpetual capital securities	4,620
Non-controlling interests	6
Total equity	4,626

1 Basis of preparation (continued)

(c) Effect on the consolidated income statement for the year ended 31 December 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
Company and subsidiary companies:			
Revenue	209,180	–	209,180
Cost of inventories sold	(78,321)	–	(78,321)
Staff costs	(28,768)	–	(28,768)
Telecommunications customer acquisition costs	(16,013)	–	(16,013)
Depreciation and amortisation	(14,932)	–	(14,932)
Other operating expenses	(50,456)	–	(50,456)
Change in fair value of investment properties	855	–	855
Share of profits less losses after tax of:			
Associated companies	6,469	–	6,469
Jointly controlled entities	9,382	5	9,387
	37,396	5	37,401
Interest and other finance costs	(8,476)	–	(8,476)
Profit before tax	28,920	5	28,925
Current tax charge	(2,493)	–	(2,493)
Deferred tax credit (charge)	(847)	141	(706)
Profit after tax	25,580	146	25,726
Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities	(5,542)	(5)	(5,547)
Profit attributable to ordinary shareholders of the Company	20,038	141	20,179
Earnings per share for profit attributable to shareholders of the Company	HK$ 4.70	HK$ 0.03	HK$ 4.73

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(d) Effect on the consolidated statement of financial position as at 31 December 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
ASSETS			
Non-current assets			
Fixed assets	167,851	–	167,851
Investment properties	43,240	–	43,240
Leasehold land	27,561	–	27,561
Telecommunications licences	68,333	–	68,333
Goodwill	27,332	–	27,332
Brand names and other rights	12,865	–	12,865
Associated companies	105,528	61	105,589
Interests in joint ventures	54,032	71	54,103
Deferred tax assets	14,105	(8)	14,097
Other non-current assets	9,131	–	9,131
Liquid funds and other listed investments	24,585	–	24,585
	554,563	124	554,687
Current assets			
Cash and cash equivalents	91,652	–	91,652
Trade and other receivables	57,229	–	57,229
Inventories	17,733	–	17,733
	166,614	–	166,614
Current liabilities			
Trade and other payables	80,889	–	80,889
Bank and other debts	23,122	–	23,122
Current tax liabilities	2,900	–	2,900
	106,911	–	106,911
Net current assets	59,703	–	59,703
Total assets less current liabilities	614,266	124	614,390
Non-current liabilities			
Bank and other debts	228,134	–	228,134
Interest bearing loans from non-controlling shareholders	13,493	–	13,493
Deferred tax liabilities	14,290	(4,433)	9,857
Pension obligations	1,702	–	1,702
Other non-current liabilities	3,945	–	3,945
	261,564	(4,433)	257,131
Net assets	352,702	4,557	357,259
CAPITAL AND RESERVES			
Share capital	1,066	–	1,066
Perpetual capital securities	15,600	–	15,600
Reserves	292,831	4,536	297,367
Total ordinary shareholders' funds and perpetual capital securities	309,497	4,536	314,033
Non-controlling interests	43,205	21	43,226
Total equity	352,702	4,557	357,259

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(e) Effect on the consolidated income statement for the year ended 31 December 2009

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
Company and subsidiary companies:			
Revenue	208,808	–	208,808
Cost of inventories sold	(74,275)	–	(74,275)
Staff costs	(28,309)	–	(28,309)
Telecommunications customer acquisition costs	(16,544)	–	(16,544)
Depreciation and amortisation	(16,258)	–	(16,258)
Other operating expenses	(60,769)	–	(60,769)
Change in fair value of investment properties	1,117	–	1,117
Profit on disposal of investments	12,472	–	12,472
Share of profits less losses after tax of:			
Associated companies	5,390	–	5,390
Jointly controlled entities	3,677	50	3,727
	35,309	50	35,359
Interest and other finance costs	(9,613)	–	(9,613)
Profit before tax	25,696	50	25,746
Current tax charge	(4,588)	–	(4,588)
Deferred tax credit	92	177	269
Profit after tax	21,200	227	21,427
Allocated as: Profit attributable to non-controlling interests	(7,569)	(4)	(7,573)
Profit attributable to shareholders of the Company	13,631	223	13,854
Earnings per share for profit attributable to shareholders of the Company	HK$ 3.20	HK$ 0.05	HK$ 3.25

* In the audited 2010 annual accounts.

1 Basis of preparation (continued)

(f) Effect on the consolidated statement of financial position as at 31 December 2009 and as at the beginning of 1 January 2010

	As previously reported* HK$ millions	Amendments to HKAS 12 "Income Taxes" HK$ millions	As restated HK$ millions
ASSETS			
Non-current assets			
Fixed assets	176,192	–	176,192
Investment properties	42,323	–	42,323
Leasehold land	29,191	–	29,191
Telecommunications licences	70,750	–	70,750
Goodwill	28,858	–	28,858
Brand names and other rights	7,351	–	7,351
Associated companies	83,716	61	83,777
Interests in joint ventures	51,568	66	51,634
Deferred tax assets	14,657	(7)	14,650
Other non-current assets	5,286	–	5,286
Liquid funds and other listed investments	23,213	–	23,213
	533,105	120	533,225
Current assets			
Cash and cash equivalents	92,521	–	92,521
Trade and other receivables	48,146	–	48,146
Inventories	16,593	–	16,593
	157,260	–	157,260
Current liabilities			
Trade and other payables	73,029	–	73,029
Bank and other debts	17,589	–	17,589
Current tax liabilities	3,249	–	3,249
	93,867	–	93,867
Net current assets	63,393	–	63,393
Total assets less current liabilities	596,498	120	596,618
Non-current liabilities			
Bank and other debts	242,851	–	242,851
Interest bearing loans from non-controlling shareholders	13,424	–	13,424
Deferred tax liabilities	13,355	(4,292)	9,063
Pension obligations	2,436	–	2,436
Other non-current liabilities	4,520	–	4,520
	276,586	(4,292)	272,294
Net assets	319,912	4,412	324,324
CAPITAL AND RESERVES			
Share capital	1,066	–	1,066
Reserves	281,433	4,396	285,829
Total shareholders' funds	282,499	4,396	286,895
Non-controlling interests	37,413	16	37,429
Total equity	319,912	4,412	324,324

* In the audited 2010 annual accounts.

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2011 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 2(c) and 2(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2011 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 2(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

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

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

(d) Joint ventures

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

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

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

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

Motor vehicles	20 - 25%
Plant, machinery and equipment	$3^1/_3$ - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

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

2 Significant accounting policies (continued)

(f) Investment properties

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

(g) Leasehold land

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

(h) Telecommunications licences

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

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

(i) Telecommunications customer acquisition costs

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

(j) Goodwill

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

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

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

(k) Brand names and other rights

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

2 Significant accounting policies (continued)

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

Loans and receivables

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

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

2 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 HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

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

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

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

(o) Trade and other receivables

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

(p) Properties under development

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

(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.

2 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 proceed (net of transaction costs) and the settlement or redemption amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

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

(t) Trade and other payables

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

(u) Customer loyalty credits

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

(v) Share capital

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

(w) Provisions

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

(x) Leased assets

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

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

(y) Asset impairment

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

2 Significant accounting policies (continued)

(z) Pension plans

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

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

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

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

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

(aa) Share-based payments

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

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

(ab) Foreign exchange

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

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

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

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

All other exchange differences are recognised in the income statement.

2 Significant accounting policies (continued)

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

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

Property and hotels

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

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

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

Retail

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

Infrastructure

Income from 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.

Energy

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

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

Mobile and fixed-line telecommunications services

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

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

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

Other service income is recognised when the service is rendered.

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

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

Finance and investments

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

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

2 Significant accounting policies (continued)

At the date 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:

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

(i) Effective for the Group for annual periods beginning on or after 1 January 2012
(ii) Effective for the Group for annual periods beginning on or after 1 January 2013
(iii) Effective for the Group for annual periods beginning on or after 1 January 2014
(iv) Effective for the Group for annual periods beginning on or after 1 January 2015

The adoption of standards, amendments and interpretations listed above, with the exception of HKFRS 9 in future periods is not expected to result in substantial changes to the Group's accounting policies.

In December 2011, the HKICPA issued Amendments to HKFRS 9 and 7, Mandatory Effective Date of HKFRS 9 and Transition Disclosures, which deferred the effective date of HKFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in HKFRS 7. The HKICPA intends to expand HKFRS 9 to add new requirements for impairment of financial assets measured at amortised cost, and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further development resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

3 Critical accounting estimates and judgements

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

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

(a) Long-lived assets

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

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

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

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

The Group's **3**G businesses have achieved a second year of EBIT positive results but are still building up scale and growing their businesses. Impairment tests were undertaken as at 31 December 2011 and 31 December 2010 to assess whether the carrying values of the Group's **3**G telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated that no impairment charge was necessary.

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

3 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. 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 cell site and network sharing, network maintenances and other outsourcing programmes. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

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

For the purposes of impairment tests, the recoverable amount of the Group's **3**G telecommunications licences, network assets and goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting current and prior year performances and market development expectations. Projections in excess of the approved financial budgets period are used to take into account telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment tests, a market specific growth rate ranging from approximately 2% to 3% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment tests to arrive at a conservative projection of cash flows in excess of the approved financial budgets period and does not reflect our expectation of the performance of these businesses nor our forecast of long term industry growth. The discount rates for the tests were based on country specific pre-tax risk adjusted discount rates (for example, 5.8% and 6.2% used in the Group's **3**G operations in Italy and the UK respectively). Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

3 Critical accounting estimates and judgements (continued)

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

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

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

(iii) Telecommunications customer acquisition costs

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

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

3 Critical accounting estimates and judgements (continued)

(c) Goodwill

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

(d) Investment properties valuation

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

(e) Tax

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

Deferred tax is 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 the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

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

3 Critical accounting estimates and judgements (continued)

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

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

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

(g) Sale and leaseback transactions

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

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

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

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

4 Turnover and revenue

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

	2011	2010
	HK$ millions	HK$ millions
Sales of goods	**141,214**	106,882
Rendering of services	**89,223**	99,531
Interest	**3,004**	2,546
Dividends	**259**	221
	233,700	209,180

5 Operating segment information

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

Following the completion of the spin-off and separate listing of Hutchison Port Holdings Trust ("HPH Trust"), which holds the Group's interests in deep water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports, on the Main Board of the Singapore Stock Exchange during the year, as additional information, HPH Trust is presented as a separate operation within the Ports and related services segment. The Group accounts for the retained interests in this former subsidiary as an investment in an associated company. Prior year corresponding segment information that is presented for comparative purposes has been restated accordingly.

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Ports and related services is HK$7 million (2010 – HK$59 million), Property and hotels is HK$324 million (2010 – HK$310 million) and Hutchison Telecommunications Hong Kong Holdings is HK$121 million (2010 – HK$123 million).

5 Operating segment information (continued)

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

	Revenue							
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2011 Total HK$ millions**	**%**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Ports and related services	**25,742**	**6,776**	**32,518**	**8%**	24,469	4,649	29,118	9%
Hutchison Ports Group other than HPH Trust operations	**24,628**	**4,566**	**29,194**	**7%**	21,674	4,476	26,150	8%
HPH Trust / HPH Trust operations#	**1,114**	**2,210**	**3,324**	**1%**	2,795	173	2,968	1%
Property and hotels	**6,046**	**11,180**	**17,226**	**4%**	5,682	10,477	16,159	5%
Retail	**118,051**	**25,513**	**143,564**	**37%**	102,014	21,163	123,177	38%
Cheung Kong Infrastructure	**3,637**	**26,790**	**30,427**	**8%**	2,997	15,268	18,265	6%
Husky Energy	**–**	**63,027**	**63,027**	**16%**	–	44,640	44,640	14%
Hutchison Telecommunications Hong Kong Holdings	**13,407**	**–**	**13,407**	**4%**	9,880	–	9,880	3%
Hutchison Asia Telecommunications	**2,332**	**–**	**2,332**	**1%**	2,486	–	2,486	1%
3 Group	**56,877**	**17,411**	**74,288**	**19%**	47,823	16,382	64,205	20%
Finance & Investments and others	**6,545**	**4,383**	**10,928**	**3%**	5,578	3,231	8,809	3%
	232,637	**155,080**	**387,717**	**100%**	200,929	115,810	316,739	99%
Reconciliation item	**–**	**–**	**–**	**–**	2,238	119	2,357	1%
	232,637	**155,080**	**387,717**	**100%**	203,167	115,929	319,096	100%
Non-controlling interests' share of HPH Trust / HPH Trust operations' revenue	**1,063**	**726**	**1,789**		6,013	240	6,253	
	233,700	**155,806**	**389,506**		209,180	116,169	325,349	

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' revenue based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. revenue reduced by HK$1,789 million and HK$8,610 million for 2011 and 2010 respectively, being (1) HK$2,357 million adjustment to reduce 2010 revenue to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$1,789 million and HK$6,253 million adjustments to exclude non-controlling interests' share of revenue of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

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

	EBITDA (LBITDA) (m)							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Ports and related services(o)	8,183	3,562	11,745	14%	7,964	2,321	10,285	17%
Hutchison Ports Group other than HPH Trust operations	7,557	2,317	9,874	12%	6,417	2,217	8,634	14%
HPH Trust / HPH Trust operations#	626	1,245	1,871	2%	1,547	104	1,651	3%
Property and hotels	4,122	5,781	9,903	12%	3,472	5,807	9,279	15%
Retail	9,626	2,098	11,724	15%	8,197	1,884	10,081	16%
Cheung Kong Infrastructure	1,405	15,837	17,242	22%	1,219	9,788	11,007	18%
Husky Energy	–	16,053	16,053	20%	–	8,987	8,987	15%
Hutchison Telecommunications Hong Kong Holdings	2,618	(2)	2,616	3%	2,191	(20)	2,171	4%
Hutchison Asia Telecommunications(p)	(142)	–	(142)	–	(1,893)	–	(1,893)	-3%
3 Group	8,030	2,494	10,524	13%	5,424	3,294	8,718	14%
Finance & Investments and others	(375)	1,062	687	1%	218	849	1,067	2%
	33,467	46,885	80,352	100%	26,792	32,910	59,702	98%
Reconciliation item	–	–	–	–	1,244	66	1,310	2%
EBITDA before property revaluation and profits on disposal of investments and others	33,467	46,885	80,352	100%	28,036	32,976	61,012	100%
Dilution gain arising from spin-off and separate listing of HPH Trust (see note 6(a))	55,644	–	55,644		–	–	–	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBITDA	677	510	1,187		3,829	147	3,976	
EBITDA (see note 33(a))	89,788	47,395	137,183		31,865	33,123	64,988	
Less: Depreciation and amortisation	(14,080)	(15,656)	(29,736)		(14,932)	(11,820)	(26,752)	
Add: One-time gains(q)	457	–	457		3,757	–	3,757	
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
Provision for impairment on certain port assets (see note 6(b))	(8,185)	–	(8,185)		–	–	–	
Provision for impairment on fixed assets (see note 6(c))	(2,997)	–	(2,997)		–	–	–	
Write-off of fixed assets (see note 6(d))	(1,315)	–	(1,315)		–	–	–	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(6,389)	(6,389)		–	(3,830)	(3,830)	
Current tax	–	(4,047)	(4,047)		–	(3,015)	(3,015)	
Deferred tax	–	(2,106)	(2,106)		–	(1,947)	(1,947)	
Non-controlling interests	–	(281)	(281)		–	2	2	
	63,668	19,696	83,364		21,545	15,856	37,401	

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' EBITDA based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. EBITDA reduced by HK$1,187 million and HK$5,286 million for 2011 and 2010 respectively, being (1) HK$1,310 million adjustment to reduce 2010 EBITDA to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$1,187 million and HK$3,976 million adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

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

	EBIT (LBIT) [n]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2011 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%
Ports and related services[o]	5,760	2,466	8,226	16%	5,496	1,711	7,207	18%
Hutchison Ports Group other than HPH Trust operations	5,257	1,680	6,937	13%	4,251	1,626	5,877	15%
HPH Trust / HPH Trust operations#	503	786	1,289	3%	1,245	85	1,330	3%
Property and hotels	3,870	5,647	9,517	18%	3,189	5,658	8,847	23%
Retail	7,722	1,608	9,330	18%	6,388	1,478	7,866	20%
Cheung Kong Infrastructure	1,273	12,205	13,478	26%	1,077	7,377	8,454	22%
Husky Energy	–	8,614	8,614	17%	–	3,073	3,073	8%
Hutchison Telecommunications Hong Kong Holdings	1,439	(4)	1,435	3%	1,111	(21)	1,090	3%
Hutchison Asia Telecommunications[p]	(1,181)	–	(1,181)	-2%	(2,688)	–	(2,688)	-7%
3 Group[q]								
EBITDA before the following:	27,633	7,651	35,284		19,004	7,621	26,625	
Telecommunications CACs	(19,603)	(5,157)	(24,760)		(13,580)	(4,327)	(17,907)	
EBITDA before the following non-cash items (see note 33(e)):	8,030	2,494	10,524		5,424	3,294	8,718	
Depreciation	(6,502)	(1,736)	(8,238)		(6,827)	(1,394)	(8,221)	
Amortisation of licence fees and other rights	(419)	(843)	(1,262)		(552)	(771)	(1,323)	
One-time gains[q]	457	–	457		3,757	–	3,757	
EBIT (LBIT) - 3 Group[q]	1,566	(85)	1,481	3%	1,802	1,129	2,931	8%
Finance & Investments and others	(479)	949	470	1%	88	722	810	2%
	19,970	31,400	51,370	100%	16,463	21,127	37,590	97%
Reconciliation item	–	–	–	–	1,003	55	1,058	3%
EBIT before property revaluation and profits on disposal of investments and others	19,970	31,400	51,370	100%	17,466	21,182	38,648	100%
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
EBIT	19,970	32,180	52,150		18,321	24,525	42,846	
Group's share of profits on disposal of investments and others (see note 6)	32,868	–	32,868		–	–	–	
Non-controlling interests' share of profits on disposal of investments and others (see note 6)	10,279	–	10,279		–	–	–	
Non-controlling interests' share of HPH Trust / HPH Trust operations' EBIT	551	339	890		3,224	121	3,345	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest expenses and other finance costs	–	(6,389)	(6,389)		–	(3,830)	(3,830)	
Current tax	–	(4,047)	(4,047)		–	(3,015)	(3,015)	
Deferred tax	–	(2,106)	(2,106)		–	(1,947)	(1,947)	
Non-controlling interests	–	(281)	(281)		–	2	2	
	63,668	19,696	83,364		21,545	15,856	37,401	

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' EBIT based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. EBIT reduced by HK$890 million and HK$4,403 million for 2011 and 2010 respectively, being (1) HK$1,058 million adjustment to reduce 2010 EBIT to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$890 million and HK$3,345 million adjustments to exclude non-controlling interests' share of EBIT of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

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

	Depreciation and amortisations					
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2011 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions
Ports and related services	**2,423**	**1,096**	**3,519**	2,468	610	3,078
Hutchison Ports Group other than HPH Trust operations	**2,300**	**637**	**2,937**	2,166	591	2,757
HPH Trust / HPH Trust operations#	**123**	**459**	**582**	302	19	321
Property and hotels	**252**	**134**	**386**	283	149	432
Retail	**1,904**	**490**	**2,394**	1,809	406	2,215
Cheung Kong Infrastructure	**132**	**3,632**	**3,764**	142	2,411	2,553
Husky Energy	**–**	**7,439**	**7,439**	–	5,914	5,914
Hutchison Telecommunications Hong Kong Holdings	**1,179**	**2**	**1,181**	1,080	1	1,081
Hutchison Asia Telecommunications	**1,039**	**–**	**1,039**	795	–	795
3 Group	**6,921**	**2,579**	**9,500**	7,379	2,165	9,544
Finance & Investments and others	**104**	**113**	**217**	130	127	257
	13,954	**15,485**	**29,439**	14,086	11,783	25,869
Reconciliation item	**–**	**–**	**–**	241	11	252
	13,954	**15,485**	**29,439**	14,327	11,794	26,121
Non-controlling interests' share of HPH Trust / HPH Trust operations' depreciation and amortisation	**126**	**171**	**297**	605	26	631
	14,080	**15,656**	**29,736**	14,932	11,820	26,752

\# represents the Group's attributable share of HPH Trust / HPH Trust operations' depreciation and amortisation based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011, i.e. depreciation and amortisation reduced by HK$297 million and HK$883 million for 2011 and 2010 respectively, being (1) HK$252 million adjustment to reduce 2010 depreciation and amortisation to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2011 shown under "Reconciliation item"; and (2) HK$297 million and HK$631 million adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust / HPH Trust operations for 2011 and 2010 respectively.

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2011 Total HK$ millions	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2010 Total HK$ millions
Ports and related services	5,928	–	–	5,928	6,726	–	–	6,726
Hutchison Ports Group other than HPH Trust operations	5,788	–	–	5,788	5,735	–	–	5,735
HPH Trust / HPH Trust operations	140	–	–	140	991	–	–	991
Property and hotels	274	–	–	274	127	–	–	127
Retail	2,622	–	–	2,622	1,791	–	–	1,791
Cheung Kong Infrastructure	353	–	–	353	70	–	–	70
Husky Energy	–	–	–	–	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	1,143	1,532	70	2,745	1,118	–	18	1,136
Hutchison Asia Telecommunications	6,543	1,351	–	7,894	2,411	–	70	2,481
3 Group[r]	8,158	2,810	12	10,980	9,375	146	373	9,894
Finance & Investments and others	128	–	–	128	119	–	–	119
	25,149	5,693	82	30,924	21,737	146	461	22,344

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

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[s] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2011 Total assets HK$ millions	Segment assets[s] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2010 Total assets HK$ millions
Ports and related services	61,143	146	27,776	89,065	96,734	172	13,892	110,798
Hutchison Ports Group other than HPH Trust operations	61,143	146	12,638	73,927	59,948	163	13,516	73,627
HPH Trust / HPH Trust operations	–	–	15,138	15,138	36,786	9	376	37,171
Property and hotels	51,640	134	39,597	91,371	50,732	109	24,869	75,710
Retail	48,184	444	5,559	54,187	45,254	680	5,239	51,173
Cheung Kong Infrastructure	14,744	15	68,115	82,874	14,303	9	56,146	70,458
Husky Energy	–	–	48,552	48,552	–	–	43,493	43,493
Hutchison Telecommunications Hong Kong Holdings	18,635	369	326	19,330	16,783	369	265	17,417
Hutchison Asia Telecommunications	18,356	–	–	18,356	18,011	–	–	18,011
3 Group[r]	199,166	15,861	12,929	227,956	186,436	12,748	12,929	212,113
Finance & Investments and others	86,419	23	2,411	88,853	119,259	10	2,859	122,128
	498,287	16,992	205,265	720,544	547,512	14,097	159,692	721,301

5 Operating segment information (continued)

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

	Total liabilities							
	Segment liabilities(u)	Current & non-current borrowings(v) and other non-current liabilities	Current & deferred tax liabilities	2011 Total liabilities	Segment liabilities(u)	Current & non-current borrowings(v) and other non-current liabilities	Current & deferred tax liabilities	2010 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	14,993	23,906	4,600	43,499	17,542	41,865	6,449	65,856
Hutchison Ports Group other than HPH Trust operations	14,993	23,906	4,600	43,499	8,701	26,132	4,647	39,480
HPH Trust / HPH Trust operations	–	–	–	–	8,841	15,733	1,802	26,376
Property and hotels	2,142	511	2,356	5,009	1,872	693	2,125	4,690
Retail	23,302	6,421	1,062	30,785	21,381	6,328	973	28,682
Cheung Kong Infrastructure	2,345	14,669	933	17,947	1,945	8,489	1,053	11,487
Husky Energy	–	–	–	–	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	4,541	4,885	241	9,667	3,990	4,175	198	8,363
Hutchison Asia Telecommunications	4,250	2,407	1	6,658	4,339	2,622	584	7,545
3 Group	24,673	117,552	393	142,618	26,759	118,437	349	145,545
Finance & Investments and others	4,839	59,001	1,738	65,578	4,763	86,085	1,026	91,874
	81,085	229,352	11,324	321,761	82,591	268,694	12,757	364,042

Additional information in respect of geographical locations

With effect from the current year, the Group has expanded its list of geographical locations for presentation of additional information. Prior year corresponding information that is presented for comparative purposes has been restated accordingly.

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

	Revenue							
	Company and Subsidiaries	Associates and JCE	2011 Total		Company and Subsidiaries	Associates and JCE	2010 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	49,296	11,490	60,786	16%	42,862	8,352	51,214	16%
Mainland China	21,972	12,937	34,909	9%	18,539	12,044	30,583	9%
Europe	125,232	37,168	162,400	42%	109,726	23,500	133,226	42%
Canada	120	63,004	63,124	16%	127	44,270	44,397	14%
Asia, Australia and others	29,472	26,098	55,570	14%	26,335	24,532	50,867	16%
Finance & Investments and others	6,545	4,383	10,928	3%	5,578	3,231	8,809	3%
	232,637	155,080	387,717 (1)	100%	203,167	115,929	319,096 (1)	100%

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

5 Operating segment information (continued)

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

	EBITDA (LBITDA) [m]							
	Company and Subsidiaries	Associates and JCE	2011 Total		Company and Subsidiaries	Associates and JCE	2010 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	7,491	5,340	12,831	16%	7,389	4,333	11,722	19%
Mainland China	3,327	7,814	11,141	14%	4,220	5,464	9,684	16%
Europe	15,189	10,083	25,272	31%	11,519	4,545	16,064	26%
Canada	115	15,969	16,084	20%	141	8,982	9,123	15%
Asia, Australia and others	7,720	6,617	14,337	18%	4,549	8,803	13,352	22%
Finance & Investments and others	(375)	1,062	687	1%	218	849	1,067	2%
EBITDA before property revaluation and profits on disposal of investments and others	33,467	46,885	80,352 [2]	100%	28,036	32,976	61,012 [2]	100%

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

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

	EBIT (LBIT) [n]							
	Company and Subsidiaries	Associates and JCE	2011 Total		Company and Subsidiaries	Associates and JCE	2010 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	5,709	4,052	9,761	19%	5,680	3,358	9,038	24%
Mainland China	2,835	6,910	9,745	19%	3,605	4,887	8,492	22%
Europe	6,774	8,235	15,009	29%	6,048	3,609	9,657	25%
Canada	114	8,534	8,648	17%	143	3,094	3,237	8%
Asia, Australia and others	5,017	2,720	7,737	15%	1,902	5,512	7,414	19%
Finance & Investments and others	(479)	949	470	1%	88	722	810	2%
EBIT before property revaluation and profits on disposal of investments and others	19,970	31,400	51,370	100%	17,466	21,182	38,648	100%
Change in fair value of investment properties	–	780	780		855	3,343	4,198	
EBIT	19,970	32,180	52,150 [3]		18,321	24,525	42,846 [3]	

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

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2011 Total HK$ millions	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2010 Total HK$ millions
Hong Kong	1,841	1,532	62	3,435	1,870	–	14	1,884
Mainland China	1,844	–	–	1,844	1,516	–	–	1,516
Europe	11,043	2,810	12	13,865	12,848	146	373	13,367
Canada	–	–	–	–	–	–	–	–
Asia, Australia and others	10,293	1,351	8	11,652	5,384	–	74	5,458
Finance & Investments and others	128	–	–	128	119	–	–	119
	25,149	5,693	82	30,924	21,737	146	461	22,344

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

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[(s)] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2011 Total assets HK$ millions	Segment assets[(s)] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2010 Total assets HK$ millions
Hong Kong	76,164	525	28,814	105,503	88,723	734	22,385	111,842
Mainland China	9,354	261	56,318	65,933	27,696	147	30,667	58,510
Europe	266,192	15,921	38,843	320,956	252,903	12,914	25,349	291,166
Canada	264	–	48,162	48,426	143	–	44,619	44,762
Asia, Australia and others	59,894	262	30,717	90,873	58,788	292	33,813	92,893
Finance & investments and others	86,419	23	2,411	88,853	119,259	10	2,859	122,128
	498,287	16,992	205,265	720,544	547,512	14,097	159,692	721,301

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

5 Operating segment information (continued)

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

(o) Included in EBITDA and EBIT of Ports and related services in 2010 are valuation gains totalling HK$550 million in relation to an available-for-sale investment. These gains were previously recorded directly into reserves but were subsequently recognised in 2010's income statement as a result of the investment becoming an associated company in 2010.

(p) Included in EBITDA and EBIT of Hutchison Asia Telecommunications in 2011 are contributions from certain suppliers amounting to HK$1,270 million (2010 – HK$669 million).

(q) Included in EBIT (LBIT) of **3** Group in 2011 is a one-time net gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million. Included in comparable EBIT (LBIT) of **3** Group in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time gain of HK$1,489 million with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy.

(r) Included in capital expenditures of **3** Group in 2011 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2011 which has an effect of increasing total expenditures by HK$68 million (2010 – decreasing total expenditures by HK$604 million).

(s) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada and Asia, Australia and others amounted to HK$94,873 million (2010 – HK$102,339 million), HK$64,104 million (2010 – HK$57,015 million), HK$248,449 million (2010 – HK$230,393 million), HK$48,204 million (2010 – HK$44,619 million) and HK$72,207 million (2010 – HK$72,508 million) respectively.

(t) Included in total assets of **3** Group is an unrealised foreign currency exchange gain arising in 2011 of HK$626 million (2010 – loss of HK$8,086 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

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

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

6 Profits on disposal of investments and others

	Attributable to			
	Ordinary shareholders of the Company HK$ millions	Holders of perpetual capital securities HK$ millions	Non-controlling interests HK$ millions	Total HK$ millions
Year ended 31 December 2011				
Dilution gain arising from spin-off and separate listing of HPH Trust[(a)]	**44,290**	**–**	**11,354**	**55,644**
Provision for impairment on certain port assets[(b)]	**(7,110)**	**–**	**(1,075)**	**(8,185)**
Provision for impairment on fixed assets[(c)]	**(2,997)**	**–**	**–**	**(2,997)**
Write-off of fixed assets[(d)]	**(1,315)**	**–**	**–**	**(1,315)**
	32,868	**–**	**10,279**	**43,147**
Year ended 31 December 2010	–	–	–	–

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

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

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

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

7 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2011 and 2010 are as below (also see Report of the Directors):

	2011					
	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	4.59	42.32	–	–	47.03
Paid by Cheung Kong Infrastructure	0.08	–	18.90	–	–	18.98
Paid to the Company	(0.08)	–	–	–	–	(0.08)
	0.12	4.59	61.22	–	–	65.93
FOK Kin Ning, Canning[(b)]	0.12	10.69	157.34	2.22	–	170.37
CHOW WOO Mo Fong, Susan[(b)]	0.12	7.87	35.20	1.59	–	44.78
Frank John SIXT[(b)]	0.12	7.87	34.04	0.69	–	42.72
LAI Kai Ming, Dominic[(b)]	0.12	5.31	33.00	1.01	–	39.44
KAM Hing Lam[(b)]						
Paid by the Company	0.12	2.30	7.68	–	–	10.10
Paid by Cheung Kong Infrastructure	0.08	4.20	7.43	–	–	11.71
Paid to the Company	(0.08)	(4.20)	–	–	–	(4.28)
	0.12	2.30	15.11	–	–	17.53
George Colin MAGNUS[(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.08	–	–	–	–	0.08
	0.20	–	–	–	–	0.20
William SHURNIAK[(c) (e)]	0.25	–	–	–	–	0.25
Michael David KADOORIE[(c)]	0.12	–	–	–	–	0.12
Holger KLUGE[(c) (e) (f)]	0.31	–	–	–	–	0.31
Margaret LEUNG KO May Yee[(c)]	0.12	–	–	–	–	0.12
WONG Chung Hin[(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.08	38.63	335.91	5.51	–	382.13

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2010 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

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

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company (including Mr William Shurniak who has been re-designated as independent non-executive director since 29 June 2011) are HK$1,110,000 (2010 – HK$860,000).

(d) Non-executive directors.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

7 Directors' emoluments (continued)

	2010					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing[(a) (f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	38.48	–	–	43.04
Paid by Cheung Kong Infrastructure	0.07	–	13.33	–	–	13.40
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	51.81	–	–	56.37
FOK Kin Ning, Canning[(b)]	0.12	10.29	141.10	2.13	–	153.64
CHOW WOO Mo Fong, Susan[(b)]	0.12	7.69	32.00	1.55	–	41.36
Frank John SIXT[(b)]	0.12	7.62	30.94	0.68	–	39.36
LAI Kai Ming, Dominic[(b)]	0.12	5.14	30.00	0.98	–	36.24
KAM Hing Lam[(b)]						
Paid by the Company	0.12	2.25	6.98	–	–	9.35
Paid by Cheung Kong Infrastructure	0.07	4.20	5.82	–	–	10.09
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	12.80	–	–	15.17
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
Margaret LEUNG KO May Yee[(c)]	0.12	–	–	–	–	0.12
WONG Chung Hin[(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.07	37.43	298.65	5.34	–	343.49

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2010 – nil).

In 2011, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$6.43 million; provident fund contribution – HK$0.50 million; and bonus – HK$37 million. In 2010, the five individuals whose emoluments were the highest for the year were five directors of the Company.

8 Interest expenses and other finance costs

	2011 **HK$ millions**	2010 HK$ millions
Bank loans and overdrafts	**1,845**	1,474
Other loans repayable within 5 years	**66**	59
Other loans not wholly repayable within 5 years	**20**	18
Notes and bonds repayable within 5 years	**3,481**	2,968
Notes and bonds not wholly repayable within 5 years	**2,120**	3,028
	7,532	7,547
Interest bearing loans from non-controlling shareholders repayable within 5 years	**254**	245
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	**9**	57
	7,795	7,849
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**281**	243
Notional non-cash interest accretion[(a)]	**396**	470
Other finance costs	**74**	72
	8,546	8,634
Less: interest capitalised[(b)]	**(131)**	(158)
	8,415	8,476

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

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.2% to 4.3% per annum (2010 – 0.3% to 6.0% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2011 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2010 Total HK$ millions
Hong Kong	**332**	**654**	**986**	581	837	1,418
Outside Hong Kong	**2,905**	**(2,804)**	**101**	1,912	(131)	1,781
	3,237	**(2,150)**	**1,087**	2,493	706	3,199

Hong Kong profits tax has been provided for at the rate of 16.5% (2010 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

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

	2011 HK$ millions	2010 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**2,715**	2,353
Tax effect of:		
Tax losses not recognised	**3,162**	2,073
Tax incentives	**(176)**	(540)
Income not subject to tax	**(802)**	(979)
Expenses not deductible for tax purposes	**979**	816
Recognition of previously unrecognised tax losses	**(3,841)**	(105)
Utilisation of previously unrecognised tax losses	**(492)**	(347)
Under provision in prior years	**52**	2
Deferred tax assets written off	**–**	(1)
Other temporary differences	**(475)**	(79)
Effect of change in tax rate	**(35)**	6
Total tax for the year	**1,087**	3,199

10 Distributions and dividends

	2011 HK$ millions	2010 HK$ millions
Distributions paid on perpetual capital securities	**936**	–

Dividends paid and payable on ordinary shares		
Interim, paid of HK$0.55 per share (2010 – HK$0.51)	**2,345**	2,174
Final, proposed of HK$1.53 per share (2010 – HK$1.41)	**6,523**	6,011
	8,868	8,185

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

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK$56,019 million (2010 – HK$20,179 million) and on 4,263,370,780 shares in issue during 2011 (2010 – 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 2011. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2011 did not have a dilutive effect on earnings per share.

12 Other comprehensive income (losses)

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

	2010		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	1,001	(11)	990
Valuation gains previously in reserves recognised in income statement for the year	(839)	–	(839)
Net actuarial gains of defined benefit plans recognised directly in reserves	463	(129)	334
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised directly in reserves	52	–	52
Gains previously in reserves recognised in initial cost of non-financial items for the year	(25)	–	(25)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(6,152)	–	(6,152)
Gains previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the year recognised in income statement for the year	(17)	–	(17)
Share of other comprehensive income of associated companies for the year	2,520	–	2,520
Share of other comprehensive income of jointly controlled entities for the year	1,840	–	1,840
	(1,157)	(140)	(1,297)

13 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2010	50,993	125,908	112,890	289,791
Additions	3,396	3,321	14,872	21,589
Disposals	(81)	(8,794)	(6,872)	(15,747)
Relating to subsidiaries disposed / de-recognised of	(1)	–	(151)	(152)
Write-off for the year[a]	–	(4,959)	(565)	(5,524)
Transfer from other assets	44	–	45	89
Transfer between categories / investment properties / leasehold land	(193)	8,932	(8,380)	359
Exchange translation differences	(264)	(4,342)	(3,705)	(8,311)
At 1 January 2011	**53,894**	**120,066**	**108,134**	**282,094**
Additions	**3,273**	**6,887**	**14,616**	**24,776**
Relating to subsidiaries acquired	**–**	**–**	**2**	**2**
Disposals	**(174)**	**(1,063)**	**(1,770)**	**(3,007)**
Relating to subsidiaries disposed / de-recognised of	**(13,957)**	**(4,446)**	**(14,736)**	**(33,139)**
Revaluation upon transfer to investment properties	**6**	**–**	**–**	**6**
Transfer from other assets	**8**	**147**	**72**	**227**
Transfer between categories / investment properties / leasehold land	**428**	**6,182**	**(5,300)**	**1,310**
Exchange translation differences	**(92)**	**(292)**	**22**	**(362)**
At 31 December 2011	**43,386**	**127,481**	**101,040**	**271,907**
Accumulated depreciation and impairment				
At 1 January 2010	11,577	36,591	65,431	113,599
Charge for the year	1,209	6,138	5,746	13,093
Disposals	(51)	(1,706)	(4,583)	(6,340)
Relating to subsidiaries disposed / de-recognised of	–	–	(150)	(150)
Write-off for the year[a]	–	(2,733)	(424)	(3,157)
Transfer from (to) other assets	5	–	(35)	(30)
Transfer between categories / investment properties / leasehold land	22	122	166	310
Exchange translation differences	(126)	(446)	(2,510)	(3,082)
At 1 January 2011	**12,636**	**37,966**	**63,641**	**114,243**
Charge for the year	**1,076**	**6,166**	**5,446**	**12,688**
Relating to subsidiaries acquired	**–**	**–**	**2**	**2**
Disposals	**(60)**	**(598)**	**(1,589)**	**(2,247)**
Relating to subsidiaries disposed / de-recognised of	**(3,054)**	**(4,417)**	**(7,168)**	**(14,639)**
Provision for impairment and write-off[b]	**44**	**4,260**	**1,249**	**5,553**
Transfer from other assets	**5**	**52**	**16**	**73**
Transfer between categories / investment properties / leasehold land	**3**	**2,914**	**(1,657)**	**1,260**
Exchange translation differences	**3**	**(322)**	**(209)**	**(528)**
At 31 December 2011	**10,653**	**46,021**	**59,731**	**116,405**
Net book value				
At 31 December 2011	**32,733**	**81,460**	**41,309**	**155,502**
At 31 December 2010	41,258	82,100	44,493	167,851
At 1 January 2010	39,416	89,317	47,459	176,192

13 Fixed assets (continued)

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

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

Land and buildings include projects under development in the amount of HK$3,990 million (2010 – HK$5,228 million).

Cost and net book value of fixed assets include HK$130,032 million (2010 – HK$120,868 million) and HK$78,162 million (2010 – HK$77,227 million) respectively, relating to **3** Group. Impairment tests were undertaken at 31 December 2011 and 31 December 2010 to assess whether the carrying value of the Group's **3**G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated that no other impairment charge was necessary.

14 Investment properties

	2011 HK$ millions	2010 HK$ millions
Valuation		
At 1 January	**43,240**	42,323
Additions	**263**	94
Disposals	**(324)**	(65)
Relating to subsidiaries disposed / de-recognised of	**(590)**	(4)
Change in fair value of investment properties	**–**	855
Transfer from fixed assets and leasehold land	**16**	2
Exchange translation differences	**5**	35
At 31 December	**42,610**	43,240

Investment properties have been fair valued as at 31 December 2011 and 31 December 2010 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2011 HK$ millions	2010 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**16,834**	17,037
Medium leasehold (less than 50 years but not less than 10 years)	**24,624**	25,032
Outside Hong Kong		
Freehold	**109**	210
Medium leasehold	**1,043**	961
	42,610	43,240

14 Investment properties (continued)

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

	2011 HK$ millions	2010 HK$ millions
Within 1 year	**2,222**	2,697
After 1 year, but within 5 years	**3,987**	2,559
After 5 years	**357**	94

15 Leasehold land

	2011 HK$ millions	2010 HK$ millions
Net book value		
At 1 January	**27,561**	29,191
Additions	**110**	54
Disposals	**(4)**	–
Relating to subsidiaries disposed / de-recognised of	**(16,603)**	–
Revaluation upon transfer to investment properties	**2**	–
Amortisation for the year	**(522)**	(912)
Impairment recognised for the year[a]	**(529)**	–
Transfer to fixed assets and investment properties	**(66)**	(51)
Exchange translation differences	**55**	(721)
At 31 December	**10,004**	27,561

The Group's leasehold land comprises:

	2011 HK$ millions	2010 HK$ millions
Hong Kong		
Medium leasehold	**–**	9,119
Outside Hong Kong		
Long leasehold	**1,013**	1,007
Medium leasehold	**8,991**	17,435
	10,004	27,561

(a) Impairment recognised mainly represents provision for certain port operations (see note 6(b)).

16 Telecommunications licences

	2011 HK$ millions	2010 HK$ millions
Net book value		
At 1 January	**68,333**	70,750
Additions	**5,693**	146
Non-cash addition (see note 5(q))	**1,843**	1,489
Amortisation for the year	**(458)**	(390)
Write-off for the year	**(84)**	–
Exchange translation differences	**176**	(3,662)
At 31 December	**75,503**	68,333
Cost	**101,719**	94,743
Accumulated amortisation and impairment	**(26,216)**	(26,410)
	75,503	68,333

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €3,002 million (2010 – €2,650 million) and £3,127 million (2010 – £3,127 million), respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2011 and 31 December 2010. Note 3(a) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated no impairment charge was necessary.

17 Goodwill

	2011 HK$ millions	2010 HK$ millions
Cost		
At 1 January	**27,332**	28,858
Relating to subsidiaries acquired	**13**	–
Impairment recognised and write-off for the year[(a)]	**(509)**	–
Relating to subsidiaries disposed / de-recognised of	**(463)**	–
Exchange translation differences	**(35)**	(1,526)
At 31 December	**26,338**	27,332

(a) Mainly represents provision for certain port operations (see note 6(b)) and write-off for the year.

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2010 – €645 million), Kruidvat of €600 million (2010 – €600 million), The Perfume Shop of £140 million (2010 – £140 million), Superdrug of £78 million (2010 – £78 million), **3** Italy of €275 million (2010 – €275 million), Hutchison Telecommunications Hong Kong Holdings of HK$3,754 million (2010 – HK$3,754 million) and Hutchison Asia Telecommunications of HK$1,184 million (2010 – HK$1,582 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2011 and 31 December 2010. Note 3(a) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. Save as disclosed above, the results of the tests undertaken as at 31 December 2011 and 31 December 2010 indicated no other impairment charge was necessary.

18 Brand names and other rights

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

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2010	2,093	5,258	7,351
Additions	–	461	461
Non-cash addition (see note 5(q))	–	6,010	6,010
Transfer from (to) other assets	1	(33)	(32)
Amortisation for the year	(12)	(525)	(537)
Write-off for the year	–	(2)	(2)
Exchange translation differences	(132)	(254)	(386)
At 31 December 2010	1,950	10,915	12,865
Cost	1,981	17,059	19,040
Accumulated amortisation	(31)	(6,144)	(6,175)
	1,950	10,915	12,865

The brand names as at 31 December 2011 primarily resulted from the acquisitions of Marionnaud and The Perfume Shop in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2011 and 31 December 2010 and the results of the tests indicated no impairment charge was necessary.

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

19 Associated companies

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Unlisted shares	**24,504**	18,947	8,665
Listed shares, Hong Kong	**9,512**	9,512	9,512
Listed shares, outside Hong Kong	**31,082**	13,021	10,341
Share of undistributed post acquisition reserves	**53,295**	49,710	46,071
	118,393	91,190	74,589
Amounts due from associated companies	**19,310**	14,399	9,188
	137,703	105,589	83,777

The market value of the above listed investments at 31 December 2011 was HK$119,906 million (2010 – HK$103,714 million).

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

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

	2011 HK$ millions	2010 HK$ millions
Revenue	**339,090**	243,878
Profit after tax	**33,325**	15,502
Non-current assets	**812,617**	575,273
Current assets	**105,095**	73,732
Total assets	**917,712**	649,005
Non-current liabilities	**432,473**	268,509
Current liabilities	**113,065**	118,208
Total liabilities	**545,538**	386,717

19 Associated companies (continued)

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

	2011 **HK$ millions**	2010 HK$ millions
Revenue	**95,252**	61,709
Expense	**(60,866)**	(42,287)
EBITDA[(a)]	**34,386**	19,422
Depreciation and amortisation	**(11,947)**	(8,507)
Change in fair value of investment properties	**150**	10
EBIT[(b)]	**22,589**	10,925
Interest expenses and other finance costs	**(5,027)**	(2,562)
Current tax	**(1,770)**	(1,296)
Deferred tax	**(1,692)**	(600)
Non-controlling interests	**(281)**	2
Profit after tax	**13,819**	6,469

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

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

20 Interests in joint ventures

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Jointly controlled entities			
Unlisted shares	**45,648**	43,456	41,935
Share of undistributed post acquisition reserves	**10,014**	4,886	(1,857)
	55,662	48,342	40,078
Amounts due from jointly controlled entities	**11,900**	5,761	11,556
	67,562	54,103	51,634

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

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

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

	2011 HK$ millions	2010 HK$ millions
Revenue	**124,242**	117,704
Profit after tax	**15,625**	27,989
Non-current assets	**142,044**	111,363
Current assets	**121,535**	112,753
Total assets	**263,579**	224,116
Non-current liabilities	**77,623**	70,454
Current liabilities	**69,903**	62,787
Total liabilities	**147,526**	133,241

20 Interests in joint ventures (continued)

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

	2011 HK$ millions	2010 HK$ millions
Revenue	**60,554**	54,460
Expense	**(47,545)**	(40,759)
EBITDA[(a)]	**13,009**	13,701
Depreciation and amortisation	**(3,709)**	(3,313)
Change in fair value of investment properties	**630**	3,333
EBIT[(b)]	**9,930**	13,721
Interest expenses and other finance costs	**(1,362)**	(1,268)
Current tax	**(2,277)**	(1,719)
Deferred tax	**(414)**	(1,347)
Profit after tax	**5,877**	9,387
Capital commitments	**178**	248

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

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

21 Deferred tax

	31 December 2011 HK$ millions	31 December 2010 HK$ millions	1 January 2010 HK$ millions
Deferred tax assets	**16,992**	14,097	14,650
Deferred tax liabilities	**8,893**	9,857	9,063
Net deferred tax assets	**8,099**	4,240	5,587

Movements in net deferred tax assets are summarised as follows:

	2011 HK$ millions	2010 HK$ millions
At 1 January	**4,240**	5,587
Relating to subsidiaries disposed / de-recognised of	**1,691**	5
Transfer to current tax	**(204)**	(236)
Net credit (charge) to other comprehensive income	**106**	(140)
Net credit (charge) to the income statement		
Unused tax losses	**2,676**	(159)
Accelerated depreciation allowances	**(301)**	(327)
Fair value adjustments arising from acquisitions	**136**	162
Revaluation of investment properties and other investments	**–**	(3)
Withholding tax on undistributed earnings	**(21)**	47
Other temporary differences	**(340)**	(426)
Exchange translation differences	**116**	(270)
At 31 December	**8,099**	4,240

Analysis of net deferred tax assets (liabilities):

	2011 HK$ millions	2010 HK$ millions
Unused tax losses	**18,293**	15,263
Accelerated depreciation allowances	**(4,631)**	(4,516)
Fair value adjustments arising from acquisitions	**(3,674)**	(4,708)
Revaluation of investment properties and other investments	**(169)**	(182)
Withholding tax on undistributed earnings	**(223)**	(305)
Other temporary differences	**(1,497)**	(1,312)
	8,099	4,240

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

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

21 Deferred tax (continued)

During the year, deferred tax assets of HK$3,615 million (2010 – nil) have been recognised for the losses of **3** Group. At 31 December 2011, the Group has recognised accumulated deferred tax assets amounting to HK$16,992 million (2010 – HK$14,097 million) of which HK$15,861 million (2010 – HK$12,748 million) relates to **3** Group.

Note 3(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$28,031 million at 31 December 2011 (2010 – HK$33,551 million). Unrecognised tax losses of HK$104,437 million (2010 – HK$85,999 million) can be carried forward indefinitely. The remaining HK$16,624 million (2010 – HK$44,873 million) expires in the following years:

	2011	2010
	HK$ millions	HK$ millions
In the first year	**288**	9,221
In the second year	**2,083**	13,562
In the third year	**2,111**	13,598
In the fourth year	**3,205**	2,734
In the fifth to tenth years inclusive	**8,937**	5,758
	16,624	44,873

22 Other non-current assets

	2011	2010
	HK$ millions	HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**571**	990
Other receivables	**3,857**	3,876
	4,428	4,866
Available-for-sale investments		
Unlisted equity securities	**1,197**	1,175
Fair value hedges (see note 28(a))		
Interest rate swaps	**2,518**	1,776
Cross currency interest rate swaps	**1,883**	1,105
Cash flow hedges (see note 28(a))		
Interest rate swaps	**–**	15
Forward foreign exchange contracts	**158**	194
	10,184	9,131

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 2011 is 2.3% (2010 – 2.0%).

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

23 Liquid funds and other listed investments

	2011 HK$ millions	2010 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**10,485**	14,505
Listed / traded debt securities, outside Hong Kong	**3,120**	3,036
Listed equity securities, Hong Kong	**988**	913
Listed equity securities, outside Hong Kong	**5,188**	5,262
	19,781	23,716
Loans and receivables		
Long term deposits	**36**	36
Financial assets at fair value through profit or loss	**422**	833
	20,239	24,585

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

	2011 HK$ millions	2010 HK$ millions
Listed debt securities	**10,432**	14,281
Cash and cash equivalents	**53**	224
	10,485	14,505

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

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2011 was HK$20,203 million (2010 – HK$24,549 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 2011 was 3.6% (2010 – 4.1%).

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

	2011			2010		
	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	**5%**	**–**	**–**	4%	–	–
US dollars	**70%**	**–**	**59%**	76%	–	79%
Others	**25%**	**100%**	**41%**	20%	100%	21%
	100%	**100%**	**100%**	100%	100%	100%

23 Liquid funds and other listed investments (continued)

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

	2011 Percentage	2010 Percentage
Credit ratings		
Aaa / AAA	**26%**	77%
Aa1 / AA+	**48%**	5%
Aa2 / AA	**3%**	–
Other investment grades	**7%**	5%
Unrated	**16%**	13%
	100%	100%
Sectorial		
US Treasury notes	**48%**	12%
Government guaranteed notes	**15%**	47%
Supranational notes	**14%**	17%
Husky Energy Inc issued notes	**7%**	5%
Government related entities issued notes	**–**	7%
Others	**16%**	12%
	100%	100%
Weighted average maturity	**2.1 years**	1.1 years
Weighted average effective yield	**1.71%**	1.42%

24 Cash and cash equivalents

	2011 HK$ millions	2010 HK$ millions
Cash at bank and in hand	**22,545**	29,690
Short term bank deposits	**43,994**	61,962
	66,539	91,652

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

25 Trade and other receivables

	2011 HK$ millions	2010 HK$ millions
Trade receivables[a]	**29,792**	30,484
Less: provision for estimated impairment losses for bad debts[b]	**(6,048)**	(5,563)
Trade receivables – net	**23,744**	24,921
Other receivables and prepayments	**36,334**	32,112
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**267**	196
	60,345	57,229

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

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

The Group's five largest customers contributed less than 6% of the Group's turnover for the years ended 31 December 2011 and 2010.

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

	2011 HK$ millions	2010 HK$ millions
Less than 31 days	**11,251**	12,629
Within 31 to 60 days	**1,487**	2,191
Within 61 to 90 days	**872**	841
Over 90 days	**16,182**	14,823
	29,792	30,484

25 Trade and other receivables (continued)

(b) As at 31 December 2011, out of the trade receivables of HK$29,792 million (2010 – HK$30,484 million), HK$14,409 million (2010 – HK$15,593 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$6,048 million (2010 – HK$5,563 million). The ageing analysis of these trade receivables is as follows:

	2011 HK$ millions	2010 HK$ millions
Not past due	**4,685**	5,353
Past due less than 31 days	**1,316**	2,000
Past due within 31 to 60 days	**326**	468
Past due within 61 to 90 days	**717**	696
Past due over 90 days	**7,365**	7,076
	14,409	15,593

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

	2011 HK$ millions	2010 HK$ millions
At 1 January	**5,563**	5,852
Additions	**2,323**	842
Utilisations	**(415)**	(729)
Write back	**(1,073)**	(131)
Relating to subsidiaries disposed / de-recognised of	**(129)**	(12)
Exchange translation differences	**(221)**	(259)
At 31 December	**6,048**	5,563

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

	2011 HK$ millions	2010 HK$ millions
Not past due	**4,270**	4,685
Past due less than 31 days	**1,992**	2,304
Past due within 31 to 60 days	**554**	554
Past due within 61 to 90 days	**474**	354
Past due over 90 days	**8,093**	6,994
	15,383	14,891

26 Trade and other payables

	2011 HK$ millions	2010 HK$ millions
Trade payables[(a)]	**24,694**	22,460
Other payables and accruals	**51,663**	54,429
Provisions (see note 27)	**1,256**	1,613
Interest free loans from non-controlling shareholders	**468**	2,327
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**12**	60
	78,093	80,889

The Group's five largest suppliers accounted for less than 24% of the Group's cost of purchases for the years ended 31 December 2011 and 2010.

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

	2011 HK$ millions	2010 HK$ millions
Less than 31 days	**14,124**	13,842
Within 31 to 60 days	**2,429**	2,145
Within 61 to 90 days	**1,248**	863
Over 90 days	**6,893**	5,610
	24,694	22,460

27 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2010	1,527	963	796	3,286
Additions	226	112	255	593
Interest accretion	31	42	–	73
Utilisations	(675)	(5)	(136)	(816)
Write back	(23)	(168)	(28)	(219)
Transfer to other assets / liabilities	(26)	–	–	(26)
Exchange translation differences	(64)	(44)	(320)	(428)
At 1 January 2011	**996**	**900**	**567**	**2,463**
Additions	**101**	**14**	**122**	**237**
Interest accretion	**39**	**6**	**–**	**45**
Utilisations	**(269)**	**–**	**(21)**	**(290)**
Write back	**(130)**	**(219)**	**(197)**	**(546)**
Relating to subsidiaries disposed / de-recognised of	**–**	**(2)**	**–**	**(2)**
Exchange translation differences	**10**	**16**	**9**	**35**
At 31 December 2011	**747**	**715**	**480**	**1,942**

27 Provisions (continued)

Provisions are analysed as:

	2011 HK$ millions	2010 HK$ millions
Current portion (see note 26)	**1,256**	1,613
Non-current portion (see note 31)	**686**	850
	1,942	2,463

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

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

28 Bank and other debts

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

	2011			2010		
	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	**28,812**	**44,768**	**73,580**	14,357	83,432	97,789
Other loans	**55**	**409**	**464**	188	441	629
Notes and bonds	**–**	**139,810**	**139,810**	8,580	140,364	148,944
Total principal amount of bank and other debts	**28,867**	**184,987**	**213,854**	23,125	224,237	247,362
Unamortised loan facilities fees and premiums or discounts related to debts	**(32)**	**331**	**299**	(3)	1,016	1,013
Unrealised gain on bank and other debts pursuant to interest rate swap contracts[a]	**–**	**4,401**	**4,401**	–	2,881	2,881
	28,835	**189,719**	**218,554**	23,122	228,134	251,256

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2011			2010		
	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	**28,812**	**44,753**	**73,565**	14,355	83,413	97,768
Not wholly repayable within 5 years	**–**	**15**	**15**	2	19	21
	28,812	**44,768**	**73,580**	14,357	83,432	97,789
Other loans						
Repayable within 5 years	**35**	**58**	**93**	169	84	253
Not wholly repayable within 5 years	**20**	**351**	**371**	19	357	376
	55	**409**	**464**	188	441	629
Notes and bonds						
US$1,100 million notes, 7% due 2011	**–**	**–**	**–**	8,580	–	8,580
US$3,146 million notes, 6.5% due 2013	**–**	**24,542**	**24,542**	–	24,542	24,542
US$1,309 million notes, 6.25% due 2014	**–**	**10,206**	**10,206**	–	10,206	10,206
US$2,189 million notes, 4.625% due 2015	**–**	**17,077**	**17,077**	–	17,077	17,077
US$500 million notes-Series B, 7.45% due 2017	**–**	**3,900**	**3,900**	–	3,900	3,900
US$1,000 million notes, 5.75% due 2019	**–**	**7,800**	**7,800**	–	7,800	7,800
US$1,500 million notes, 7.625% due 2019	**–**	**11,700**	**11,700**	–	11,700	11,700
US$329 million notes-Series C, 7.5% due 2027	**–**	**2,565**	**2,565**	–	2,565	2,565
US$25 million notes-Series D, 6.988% due 2037	**–**	**196**	**196**	–	196	196
US$1,144 million notes, 7.45% due 2033	**–**	**8,926**	**8,926**	–	8,926	8,926
EUR1,000 million notes, 5.875% due 2013	**–**	**10,150**	**10,150**	–	10,360	10,360
EUR603 million notes, 4.125% due 2015	**–**	**6,119**	**6,119**	–	6,245	6,245
EUR669 million notes, 4.625% due 2016	**–**	**6,791**	**6,791**	–	6,932	6,932
EUR1,750 million notes, 4.75% due 2016	**–**	**17,763**	**17,763**	–	18,130	18,130
GBP325 million bonds, 6.75% due 2015	**–**	**3,962**	**3,962**	–	3,907	3,907
GBP113 million bonds, 5.625% due 2017	**–**	**1,378**	**1,378**	–	1,359	1,359
GBP303 million bonds, 5.625% due 2026	**–**	**3,693**	**3,693**	–	3,641	3,641
JPY30,000 million notes, 3.5% due 2032	**–**	**3,042**	**3,042**	–	2,878	2,878
	–	**139,810**	**139,810**	8,580	140,364	148,944
	28,867	**184,987**	**213,854**	23,125	224,237	247,362

28 Bank and other debts (continued)

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

	2011			2010		
	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	28,812	–	28,812	14,357	–	14,357
After 1 year, but within 2 years	–	14,490	14,490	–	21,853	21,853
After 2 years, but within 5 years	–	30,274	30,274	–	61,561	61,561
After 5 years	–	4	4	–	18	18
	28,812	44,768	73,580	14,357	83,432	97,789
Other loans						
Current portion	55	–	55	188	–	188
After 1 year, but within 2 years	–	51	51	–	56	56
After 2 years, but within 5 years	–	119	119	–	135	135
After 5 years	–	239	239	–	250	250
	55	409	464	188	441	629
Notes and bonds						
Current portion	–	–	–	8,580	–	8,580
After 1 year, but within 2 years	–	34,692	34,692	–	–	–
After 2 years, but within 5 years	–	61,918	61,918	–	72,337	72,337
After 5 years	–	43,200	43,200	–	68,027	68,027
	–	139,810	139,810	8,580	140,364	148,944
	28,867	184,987	213,854	23,125	224,237	247,362

Subsequent to the year end date, in January and February 2012, US$1,000 million (approximately HK$7,800 million) principal amount of the notes due 2017 and US$1,500 million (approximately HK$11,700 million) principal amount of the notes due 2022 were issued to refinance certain existing indebtedness and, to the extent not so used, for general corporate purposes.

The bank and other debts of the Group as at 31 December 2011 are secured to the extent of HK$793 million (2010 – HK$952 million).

Borrowings with principal amount of HK$73,635 million (2010 – HK$97,777 million) bear interest at floating interest rates and borrowings with principal amount of HK$140,219 million (2010 – HK$149,585 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

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

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**73,312**	97,395	**73,312**	97,395
Other loans	**410**	571	**408**	568
Notes and bonds	**144,832**	153,290	**160,318**	161,699
	218,554	251,256	**234,038**	259,662

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):

	2011	2010
	Percentage	Percentage
Euro	**33%**	28%
US dollars	**29%**	29%
HK dollars	**22%**	31%
British pounds	**9%**	5%
Other currencies	**7%**	7%
	100%	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2011, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$70,988 million (2010 – HK$71,300 million).

In addition, interest rate swap agreements with notional amount of HK$3,996 million (2010 – HK$4,270 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2011, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2010 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match currency exposures of the underlying businesses.

28 Bank and other debts (continued)

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

	2011			2010		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	**–**	**2,518**	**2,518**	–	1,776	1,776
Cross currency interest rate swaps (see note 22)	**–**	**1,883**	**1,883**	–	1,105	1,105
	–	**4,401**	**4,401**	–	2,881	2,881
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	**–**	**–**	**–**	–	15	15
Forward foreign exchange contracts (see notes 22 and 25)	**267**	**158**	**425**	196	194	390
	267	**158**	**425**	196	209	405
Derivative financial liabilities						
Interest rate swaps (see note 31)	**–**	**(201)**	**(201)**	–	(2)	(2)
Forward foreign exchange contracts (see note 26)	**(12)**	**–**	**(12)**	(60)	–	(60)
	(12)	**(201)**	**(213)**	(60)	(2)	(62)
	255	**(43)**	**212**	136	207	343

29 Interest bearing loans from non-controlling shareholders

	2011 HK$ millions	2010 HK$ millions
Interest bearing loans from non-controlling shareholders	**6,502**	13,493

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	2011 HK$ millions	2010 HK$ millions
Defined benefit plans		
Pension assets	**–**	–
Pension obligations	**2,992**	1,702
	2,992	1,702

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

(a) Defined benefit plans

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

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2011 and 31 December 2010 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:

	2011	2010
Discount rate applied to defined benefit plan obligations	**1.20% - 6.10%**	2.20% - 17.00%
Expected return on plan assets	**2.62% - 7.77%**	3.50% - 14.50%
Future salary increases	**1.00% - 4.00%**	0.29% - 9.00%
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 statement of financial position is determined as follows:

	2011 HK$ millions	2010 HK$ millions
Present value of defined benefit obligations	**13,468**	13,635
Fair value of plan assets	**11,373**	12,375
	2,095	1,260
Unrecognised past services costs	**(17)**	(32)
Restrictions on asset recognised	**914**	474
Net defined benefit plan obligations	**2,992**	1,702

Fair value of plan assets of HK$11,373 million (2010 – HK$12,375 million) includes investments in the Company's shares with a fair value of HK$43 million (2010 – HK$56 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2011 HK$ millions	2010 HK$ millions
At 1 January	**13,635**	13,985
Current service cost net of employee contributions	**434**	531
Actual employee contributions	**106**	113
Interest cost	**586**	603
Actuarial losses (gains) on obligations	**586**	(373)
Gains on curtailments and settlements	**(1)**	(105)
Relating to subsidiaries disposed / de-recognised of	**(1,457)**	–
Transfer to other liabilities	**–**	(11)
Actual benefits paid	**(574)**	(608)
Exchange translation differences	**153**	(500)
At 31 December	**13,468**	13,635

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

	2011 HK$ millions	2010 HK$ millions
At 1 January	**12,375**	11,574
Expected return on plan assets	**719**	718
Actuarial gains (losses) on plan assets	**(582)**	536
Actual company contributions	**639**	623
Actual employee contributions	**106**	113
Relating to subsidiaries disposed / de-recognised of	**(1,374)**	–
Actual benefits paid	**(574)**	(608)
Exchange translation differences	**64**	(581)
At 31 December	**11,373**	12,375

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2011 HK$ millions	2010 HK$ millions
Current service cost	**434**	531
Past service cost	**101**	30
Interest cost	**586**	603
Gains on curtailments and settlements	**(1)**	(105)
Expected return on plan assets	**(719)**	(718)
Total expense	**401**	341
Less: expense capitalised	**(2)**	(2)
Total, included in staff costs	**399**	339

The actual return on plan assets was HK$137 million (2010 – HK$1,254 million).

The actuarial losses recognised in other comprehensive income in current year was HK$1,607 million (2010 – gains of HK$463 million). The cumulative actuarial losses recognised in other comprehensive income amounted to HK$2,828 million (2010 – HK$1,421 million).

Fair value of the plan assets are analysed as follows:

	2011 Percentage	2010 Percentage
Equity instruments	**46%**	51%
Debt instruments	**45%**	42%
Other assets	**9%**	7%
	100%	100%

The experience adjustments are as follows:

	2011 HK$ millions	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Present value of defined benefit obligations	**13,468**	13,635	13,985	11,452	13,151
Fair value of plan assets	**11,373**	12,375	11,574	8,981	12,175
Deficit	**2,095**	1,260	2,411	2,471	976
Experience adjustments on defined benefit obligations	**(104)**	(249)	(82)	502	(13)
Experience adjustments on plan assets	**(597)**	413	729	(2,253)	648

30 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2011. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 July 2011 reported a funding level of 118% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2011 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$18 million (2010 – HK$18 million) were used to reduce the current year's level of contributions and HK$1 million was available at 31 December 2011 (2010 – HK$1 million) to reduce future years' contributions.

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

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations. As at the end of 2011, the combination of the interest rate and a high risk spread result in a relatively low defined benefit obligation for the plan of the retail operations and the value of the plan assets are temporarily higher than the present value of the plan obligation. The Group is required by the applicable accounting standard not to recognise the excess amount as an asset as the excess amount is not refundable to the Group and not available to reduce future contributions to the plan.

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

30 Pension plans (continued)

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$865 million (2010 – HK$786 million). No forfeited contributions (2010 – nil) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2011 (2010 – nil) to reduce future years' contributions.

31 Other non-current liabilities

	2011 HK$ millions	2010 HK$ millions
Cash flow hedges (see note 28(a))		
Interest rate swaps	**201**	2
Obligations for telecommunications licences and other rights	**3,409**	3,093
Provisions (see note 27)	**686**	850
	4,296	3,945

32 Share capital and capital management

(a) Share capital

	2011 Number of shares	2010 Number of shares	**2011 HK$ millions**	2010 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

32 Share capital and capital management (continued)

(b) Perpetual capital securities

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

(c) Capital management

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

At 31 December 2011, total equity amounted to HK$398,783 million (2010 – HK$357,259 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$127,076 million (2010 – HK$131,125 million). The Group's net debt to net total capital ratio decreased to 23.8% from 26.0% at the end of last year.

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

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

	2011	2010
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**23.8%**	26.0%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**21.7%**	23.3%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**25.1%**	28.7%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**22.8%**	25.7%

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

33 Notes to consolidated statement of cash flows

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

	2011 HK$ millions	2010 HK$ millions
Profit after tax	**73,862**	25,726
Adjustments for:		
Current tax charge	**3,237**	2,493
Deferred tax charge (credit)	**(2,150)**	706
Interest expenses and other finance costs	**8,415**	8,476
Change in fair value of investment properties	**–**	(855)
Depreciation and amortisation	**14,080**	14,932
Provision for impairment on certain port assets (see note 6(b))	**8,185**	–
Provision for impairment on fixed assets (see note 6(c))	**2,997**	–
Write-off of fixed assets (see note 6(d))	**1,315**	–
Non-cash items (see note 33(e))	**(457)**	(3,757)
Share of associated companies' and jointly controlled entities'		
Depreciation and amortisation	**15,656**	11,820
Change in fair value of investment properties	**(780)**	(3,343)
Interest expenses and other finance costs	**6,389**	3,830
Current tax charge	**4,047**	3,015
Deferred tax charge	**2,106**	1,947
Non-controlling interests	**281**	(2)
EBITDA (see notes 5(b) and 5(m))	**137,183**	64,988
Telecommunications CACs	**22,497**	16,013
Share of jointly controlled entity's telecommunications CACs	**5,157**	4,327
EBITDA before telecommunications CACs	**164,837**	85,328
Share of EBITDA of associated companies and jointly controlled entities	**(52,552)**	(37,450)
Profit on disposal of unlisted investments	**(309)**	(236)
Profit on disposal of fixed assets, leasehold land and investment properties	**(478)**	(549)
Dividends received from associated companies and jointly controlled entities	**6,864**	9,944
Distribution from property jointly controlled entities	**1,395**	2,198
Profit on disposal / de-recognition of subsidiary companies and jointly controlled entities	**(57,330)**	(24)
Valuation gains on transfer of an available-for-sale investment to investment in associated company	**–**	(550)
Other non-cash items	**151**	614
	62,578	59,275

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2011 HK$ millions	2010 HK$ millions
Increase in inventories	(951)	(1,901)
Decrease (increase) in debtors and prepayments	9,701	(10,793)
Increase in creditors	1,371	7,494
Other non-cash items	(173)	2,185
	9,948	(3,015)

(c) Purchase of subsidiary companies

	2011 Book / Fair value HK$ millions	2010 Fair value HK$ millions
Aggregate net assets acquired at acquisition date:		
Cash and cash equivalents	16	–
Creditors and current tax liabilities	(1)	–
Non-controlling interests	(7)	–
	8	–
Goodwill arising on acquisition	13	–
	21	–
Less: Cost of investments just prior to purchase	(6)	–
Discharged by cash payment	15	–
Net cash outflow (inflow) arising from acquisition:		
Cash payment	15	–
Cash and cash equivalents acquired	(16)	–
Total net cash acquired	(1)	–

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

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal / de-recognition of subsidiary companies

	2011 **HK$ millions**	2010 HK$ millions
Aggregate net assets disposed / de-recognised at date of disposal / de-recognition (excluding cash and cash equivalents):		
Fixed assets	**18,500**	2
Investment properties	**590**	4
Leasehold land	**16,603**	–
Goodwill	**463**	–
Brand name and other rights	**16**	–
Associated companies	**128**	–
Interests in joint ventures	**291**	–
Liquid funds and other listed investments	**37**	–
Trade and other receivables	**3,498**	12
Inventories	**151**	–
Creditors and current tax liabilities	**(21,717)**	(82)
Bank and other debts	**(9,318)**	–
Loans from non-controlling shareholders	**(6,613)**	–
Deferred tax liabilities	**(1,691)**	(5)
Pension obligations	**(83)**	–
Other non-current liabilities	**(693)**	–
Non-controlling interests	**(4,962)**	(12)
Reserves	**1,038**	(12)
	(3,762)	(93)
Profit on disposal / de-recognition*	**57,167**	24
	53,405	(69)
Less: Investments retained subsequent to disposal / de-recognition	**(17,796)**	–
	35,609	(69)
Satisfied by:		
Cash and cash equivalents received as consideration	**41,698**	3
Less: Cash and cash equivalents sold	**(6,089)**	(72)
Total net cash consideration	**35,609**	(69)

* The profit on disposal / de-recognition is recognised in the consolidated income statement and is mainly presented in the line item titled profits on disposal of investments and others.

(e) Included in the non-cash items in 2011 are a one-time gain of HK$457 million, comprising a benefit of HK$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to **3** Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK$469 million. Included in the non-cash items in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time HK$1,489 million gain with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy.

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 2011, assets of the Group totalling HK$524 million (2010 – HK$963 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2011, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to associated companies and jointly controlled entities of HK$10,932 million (2010 – HK$5,805 million).

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

	2011 **HK$ millions**	2010 HK$ millions
To associated companies		
Other businesses	**1,366**	2,258
To jointly controlled entities		
Property businesses	**1,619**	1,556
Other businesses	**5,602**	1,308
	7,221	2,864

At 31 December 2011, the Group had provided performance and other guarantees of HK$4,838 million (2010 – HK$3,159 million).

37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2011 are as follows:

Capital commitments

(a) Contracted for:
- (i) Ports and related services – HK$2,050 million (2010 – HK$7,637 million)
- (ii) **3** Group – HK$953 million (2010 – HK$569 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$14,738 million (2010 – HK$643 million)
- (iv) Investment properties, Hong Kong – HK$13 million (2010 – HK$656 million)
- (v) Other fixed assets – HK$995 million (2010 – HK$133 million)
- (vi) Other assets – HK$1,121 million (2010 – nil)

(b) Authorised but not contracted for:

The Group, as part of its annual budget process, budgets for future capital expenditures and these amounts are shown below. These budgeted amounts are subject to a rigorous authorisation process before the expenditure is committed.
- (i) Ports and related services – HK$6,899 million (2010 – HK$2,493 million)
- (ii) **3** Group – HK$10,779 million (2010 – HK$5,693 million)
- (iii) Telecommunications, Hong Kong and Asia – HK$3,257 million (2010 – HK$4,302 million)
- (iv) Investment properties, Hong Kong – HK$1,178 million (2010 – HK$297 million)
- (v) Investment in joint ventures, Hong Kong – HK$282 million (2010 – nil)
- (vi) Investment in joint ventures outside Hong Kong – HK$5,662 million (2010 – HK$3,296 million)
- (vii) Other fixed assets – HK$4,840 million (2010 – HK$2,850 million)
- (viii) Other assets – HK$1,280 million (2010 – nil)

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

(a) In the first year – HK$10,680 million (2010 – HK$9,949 million)
(b) In the second to fifth years inclusive – HK$23,221 million (2010 – HK$23,502 million)
(c) After the fifth year – HK$32,256 million (2010 – HK$36,806 million)

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

(a) In the first year – HK$1,642 million (2010 – HK$1,451 million)
(b) In the second to fifth years inclusive – HK$5,442 million (2010 – HK$5,003 million)
(c) After the fifth year – HK$4,378 million (2010 – HK$4,747 million)

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$7,741 million (2010 – HK$2,325 million) are interest bearing. In addition, during 2009, the Group acquired traded debt securities outside Hong Kong with a principal amount of US$200 million notes issued by listed associated company, Husky Energy Inc and sold certain of these notes with a principal amount of US$97 million. As disclosed in note 23, as at 31 December 2011 and 2010, principal amount totalling US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 31 December 2011, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$40,864 million (2010 – HK$27,301 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$3,649 million (2010 – HK$1,653 million) for the benefit of these same entities.

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

39 Legal proceedings

As at 31 December 2011, 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 2012, Hutchison 3G Austria ("**3** Austria"), a wholly owned subsidiary of the Group, announced that it has entered into an agreement to acquire 100% interest of Orange Austria for an enterprise value of approximately EUR1,300 million. Immediately after the acquisition, **3** Austria will sell part of the acquired assets to a third party for a consideration of EUR390 million. The completion of these transactions is subject to the approval by the relevant regulatory and anti-trust authorities.

In February and March 2012, Cheung Kong Infrastructure ("CKI"), a subsidiary company of the Group raised approximately HK$2,291 million and HK$2,307 million by issuing new perpetual capital securities and new shares respectively. Following these issues, the Group's interest in CKI's ordinary shares has reduced from approximately 82% to 80% (which excludes the shares issued to and held by the fiduciary in connection with the issue of new perpetual capital securities in February 2012).

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 2011, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 142 to 238 were approved by the Board of Directors on 29 March 2012.

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:

	2011 HK$ millions	2010 HK$ millions
Credits:		
Share of profits less losses after tax of associated companies		
Listed	**9,343**	4,683
Unlisted	**4,476**	1,786
	13,819	6,469
Share of gross rental income of associated companies and jointly controlled entities	**466**	635
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	**82**	78
Other subsidiaries (excluding HHR)	**3,393**	3,314
Less: intra group rental income	**(360)**	(349)
	3,115	3,043
Less: related outgoings	**(25)**	(26)
Net rental income of subsidiary companies	**3,090**	3,017
Dividend and interest income from managed funds and other investments		
Listed	**694**	840
Unlisted	**67**	75
Charges:		
Depreciation and amortisation		
Fixed assets	**12,688**	13,093
Leasehold land	**522**	912
Telecommunications licences	**458**	390
Brand names and other rights	**412**	537
	14,080	14,932
Inventories write-off	**1,193**	950
Operating leases		
Properties	**16,185**	14,604
Hire of plant and machinery	**2,262**	1,931
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**179**	177
– other auditors	**12**	15
Non-audit work – PricewaterhouseCoopers	**70**	28
– other auditors	**30**	22

44 Financial risk management

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

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which 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 be in a healthy financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$86,778 million at 31 December 2011, a 25% reduction from the balance of HK$116,237 million at 31 December 2010, mainly reflecting the utilisation of cash for the repayment and early repayment of certain borrowings, dividend payments to ordinary and non-controlling shareholders as well as to perpetual capital securities holders, acquisition of fixed assets and investments, net of the positive funds from operations from the Group's businesses, proceeds from IPO of HPH Trust and disposal of fixed assets. Liquid assets were denominated as to 6% in HK dollars, 48% in US dollars, 19% in Renminbi, 8% in Euro, 5% in British pounds and 14% in other currencies (2010 – 9% were denominated in HK dollars, 46% in US dollars, 21% in Renminbi, 8% in Euro, 5% in British pounds and 11% in other currencies).

Cash and cash equivalents represented 76% (2010 – 79%) of the liquid assets, US Treasury notes and listed / traded debt securities 16% (2010 – 15%), listed equity securities 7% (2010 – 5%) and long-term deposits and others 1% (2010 – 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 48% (2010 – 12%), government guaranteed notes of 15% (2010 – 47%), supranational notes of 14% (2010 – 17%), notes issued by the Group's associated company, Husky Energy Inc of 7% (2010 – 5%), government related entities issued notes of nil (2010 – 7%), and others of 16% (2010 – 12%). Of these US Treasury notes and listed / traded debt securities, 74% (2010 – 82%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.1 years (2010 – 1.1 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

At 31 December 2011, approximately 34% (2010 – approximately 40%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 66% (2010 – approximately 60%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$70,988 million (2010 – approximately HK$71,300 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$3,996 million (2010 – HK$4,270 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 66% (2010 – approximately 67%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 34% (2010 – approximately 33%) were at fixed rates at 31 December 2011.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currencies hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of certain countries where the Group has overseas operations, including the Euro, British pound, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK$2,478 million (2010 – loss of HK$2,611 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and jointly controlled entities. This unrealised gain is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2011, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2010 – HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in Euro, 29% in US dollars, 22% in HK dollars, 9% in British pounds and 7% in other currencies (2010 – 28% in Euro, 29% in US dollars, 31% in HK dollars, 5% in British pounds and 7% in other currencies).

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 23% (2010 – approximately 20%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

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 end of the reporting period on profit for the year and on total equity.

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

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

(i) Interest rate sensitivity analysis

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

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

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

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

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

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

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 end of the reporting period, with all other variables held constant:

- profit for the year would decrease by HK$958 million (2010 – HK$1,366 million) due to increase in interest expense;
- total equity would decrease by HK$958 million (2010 – HK$1,366 million) due to increase in interest expense; and
- total equity would decrease by HK$119 million (2010 – HK$9 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 income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7.

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

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

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

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

	2011		2010	
	Hypothetical increase (decrease) in profit for the year HK$ millions	**Hypothetical increase (decrease) in total equity HK$ millions**	Hypothetical increase (decrease) in profit for the year HK$ millions	Hypothetical increase (decrease) in total equity HK$ millions
EURO	**66**	**66**	59	59
GBP	**156**	**(1,672)**	159	224
AUD	**167**	**11**	265	405
RMB	**16**	**86**	25	102
USD	**1,647**	**1,647**	2,168	2,174
Japanese Yen	**(309)**	**(311)**	(290)	(295)

(iii) *Other price sensitivity analysis*

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

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

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

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

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

- profit for the year would increase by HK$42 million (2010 – HK$83 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$42 million (2010 – HK$83 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$1,978 million (2010 – HK$2,372 million) due to increase in gains on available-for-sale investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

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

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

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

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 2010						
Trade payables	22,460	–	–	22,460	–	22,460
Other payables and accruals	54,429	–	–	54,429	–	54,429
Interest free loans from non-controlling shareholders	2,327	–	–	2,327	–	2,327
Bank loans	14,357	83,414	18	97,789	(394)	97,395
Other loans	188	191	250	629	(58)	571
Notes and bonds	8,580	72,337	68,027	148,944	4,346	153,290
Interest bearing loans from non-controlling shareholders	–	10,246	3,247	13,493	–	13,493
Obligations for telecommunications licences and other rights	874	2,782	253	3,909	(816)	3,093
	103,215	168,970	71,795	343,980	3,078	347,058

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,756 million in "within 1 year" maturity band, HK$27,910 million in "after 1 year, but within 5 years" maturity band, and HK$24,597 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2010				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
Net outflow	(11)	(34)	–	(45)
Cash flow hedges – forward foreign exchange contracts				
Inflow	3,075	–	–	3,075
Outflow	(3,091)	–	–	(3,091)

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

	2011	2010
	HK$ millions	HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**(6)**	48
Gains arising on derivatives in a designated fair value hedge	**1,530**	2,747
Losses arising on adjustment for hedged item in a designated fair value hedge	**(1,530)**	(2,747)
Interest income on available-for-sale financial assets	**492**	666

44 Financial risk management (continued)

(i) Fair value of financial instruments

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value. The amendment to HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2010				
Financial instruments measured at fair value				
Available-for-sale investments				
Unlisted equity securities (see note 22)	–	–	1,175	1,175
Managed funds, outside Hong Kong (see note 23)	14,505	–	–	14,505
Listed/traded debt securities, outside Hong Kong (see note 23)	867	2,169	–	3,036
Listed equity securities, Hong Kong (see note 23)	913	–	–	913
Listed equity securities, outside Hong Kong (see note 23)	4,191	–	1,071	5,262
Financial assets at fair value through profit or loss (see note 23)	–	833	–	833
	20,476	3,002	2,246	25,724
Fair value hedges				
Interest rate swaps (see note 22)	–	1,776	–	1,776
Cross currency interest rate swaps (see note 22)	–	1,105	–	1,105
	–	2,881	–	2,881
Cash flow hedges				
Interest rate swaps (see note 22)	–	15	–	15
Forward foreign exchange contracts (see notes 22 and 25)	–	390	–	390
Interest rate swaps (see note 31)	–	(2)	–	(2)
Forward foreign exchange contracts (see note 26)	–	(60)	–	(60)
	–	343	–	343

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

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

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

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

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

	2011 **HK$ millions**	2010 HK$ millions
At 1 January	**2,246**	2,337
Total gains (losses) recognised in		
Income statement	**(1)**	(1)
Other comprehensive income	**91**	382
Additions	**129**	264
Disposals	**(133)**	(736)
Exchange translation differences	**7**	–
At 31 December	**2,339**	2,246
Total losses for the year included in income statement and presented in other operating expenses	**(1)**	(1)
Total losses recognised in income statement relating to those instruments held at the end of the reporting period	**(1)**	(1)

45 Statement of financial position of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2011 is set out as follows:

	2011 **HK$ millions**	2010 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares[(a)]	**39,931**	39,931
Current assets		
Amounts due from subsidiary companies[(b)]	**67,766**	66,906
Current liabilities		
Other payables and accruals	**81**	69
Net current assets	**67,685**	66,837
Net assets	**107,616**	106,768
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves[(c)]	**106,550**	105,702
Shareholders' funds	**107,616**	106,768

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

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

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

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

(c) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2010	28,359	77,314	105,673
Profit for the year	–	7,399	7,399
Unclaimed dividend write back	–	5	5
Dividends paid relating to 2009	–	(5,201)	(5,201)
Dividends paid relating to 2010	–	(2,174)	(2,174)
At 31 December 2010	**28,359**	**77,343**	**105,702**
Profit for the year	**–**	**9,204**	**9,204**
Dividends paid relating to 2010	**–**	**(6,011)**	**(6,011)**
Dividends paid relating to 2011	**–**	**(2,345)**	**(2,345)**
At 31 December 2011	**28,359**	**78,191**	**106,550**

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK$218,554 million (2010 – HK$251,256 million), the Company has guaranteed a total of HK$173,244 million (2010 – HK$201,429 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities of US$2,000 million, approximately HK$15,600 million (2010 – HK$15,600 million) issued by a wholly owned subsidiary company.

(f) The Company has provided some guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities and associated companies totalling HK$5,102 million (2010 – nil) and HK$1,366 million (2010 – nil) respectively and other guarantees of HK$1,214 million (2010 – nil). These amounts have been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$9,204 million (2010 – HK$7,399 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2011 amounting to HK$78,191 million (2010 – HK$77,343 million).

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2011

	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	USD	30,000,000	40	Container terminal operating
	Amsterdam Port Holdings B.V.	Netherlands	EUR	170,704	56	Holding Company
	Brisbane Container Terminals Pty Limited	Australia	AUD	34,568,593	80	Container terminal operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	31,628,668	80	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	EUR	45,000,000	75	Holding company
	ECT Delta Terminal B.V.	Netherlands	EUR	18,000	71	Stevedoring activities
	Euromax Terminal Rotterdam B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
	ECT Home Terminal B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
	Freeport Container Port Limited	Bahamas	B$	2,000	41	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	79	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD	76,000,000	50	Ship repairing, general engineering and tug operations
	HPH Finance Limited	British Virgin Islands	USD	1	80	Finance
✡	Huizhou Port Industrial Corporation Limited	China	RMB	300,000,000	27	Container terminal operating
✡ ⌘	Huizhou Quanwan Port Development Co., Ltd.	China	RMB	359,300,000	40	Port related land development
	Hutchison Atlantic Limited	British Virgin Islands	USD	10,000	80	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	USD	2	80	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	USD	26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating
✧ ❋ #	Hutchison Port Holdings Trust	Singapore/China	USD	8,795,976,880	28	Container port business trust
	Hutchison Ports Finance Limited	British Virgin Islands	USD	10	80	Finance
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	80	Finance
	Hutchison Port Investments Limited	Cayman Islands	USD	74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR	12,500	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Ports (Jersey) Port Development Limited	Jersey	GBP	30,000,002	80	Port development and property management
	Hutchison Ports (Jersey) Property Management Limited	Jersey	GBP	25,000,100	80	Port property management and leasing
	Hutchison Westport Investments Limited	British Virgin Islands	USD	2	80	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR	2,000,000	41	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	USD	14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR	1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	50,000,000	80	Container terminal operating
	Maritime Transport Services Limited	United Kingdom	GBP	13,921,323	64	Container terminal operating

	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)					
✡ ⌘	Nanhai International Container Terminals Limited	China	USD	42,800,000	40	Container terminal operating
✡ ⌘	Ningbo Beilun International Container Terminals Limited	China	RMB	700,000,000	39	Container terminal operating
	Oman International Container Terminal L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S. A.	Panama	USD	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating
+	PT Hutchison Ports Indonesia	Indonesia	IDR	130,000,000,000	80	Holding company
+	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,500	41	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	USD	1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD	80,084,000	56	Container terminal operating
✡ ⌘	Shanghai Container Terminals Limited	China	RMB	1,000,000,000	30	Container terminals owning
✡ ⌘ +	Shanghai Mingdong Container Terminals Limited	China	RMB	4,000,000,000	40	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	USD	88,000,000	56	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR	3,826,770,000	72	Container terminal operating
	Sydney International Container Terminals Pty Limited	Australia	AUD	38,747,642	80	Container terminal operating
✡	Taranto Container Terminal S.p.A.	Italy	EUR	1,280,000	40	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	80	Marine construction and ship repair yard
	Terminal Catalunya, S.A.	Spain	EUR	2,342,800	80	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	70	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	56	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP	2	64	Container terminal operating
# +	Westports Holdings Sdn. Bhd.	Malaysia	MYR	117,000,000	25	Holding company
✡ ⌘	Xiamen Haicang International Container Terminals Limited	China	RMB	555,515,000	39	Container terminal operating
✡ ⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	39	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Gaolan) Limited	China	USD	105,750,000	40	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Jiuzhou) Limited	China	USD	52,000,000	40	Container terminal operating
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HKD	2	100	Property owning
	Consolidated Hotels Limited	Hong Kong	HKD	78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HKD	2	100	Property owning
	Foxton Investments Limited	Hong Kong	HKD	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HKD	1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HKD	100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	USD	2	50	Hotel management
	Harley Development Inc.	Panama/Hong Kong	USD	2	100	Property owning
	Hongville Limited	Hong Kong	HKD	2	100	Property owning
✡ ♆	Hutchison Enterprises (Chongqing) Limited	China	RMB	470,000,000	50	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HKD	50,000	100	Property management, agency & related services
	Hutchison Hotel Hong Kong Limited	Hong Kong	HKD	2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	USD	1	100	Holding company
	Hutchison Lucaya Limited	Bahamas	USD	5,000	100	Investment in hotel

	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 Limited	Hong Kong	HKD	2	100	Holding company
✡ ⚐ +	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	USD	81,579,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Changchun) Limited	China	USD	34,870,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (ChangSha WangCheng) Limited	China	RMB	149,000,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB	1,050,000,000	50	Property developing & investment
✡ ⌘ +	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB	290,000,000	48	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB	250,000,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB	285,000,000	50	Property developing & investment
✡ ⚐ +	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB	600,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HKD	20	100	Project management & related services
# ♁ +	Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	USD	372,000,000	25	Property developing & investment
✡ ♁	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	USD	48,550,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	China	USD	100,000,000	50	Property developing & investment
✡ ⚐	Hutchison Whampoa Properties (Tianjin) Limited	China	USD	47,500,000	40	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	USD	54,400,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	USD	147,300,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Xi An) Limited	China	USD	59,600,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Zhuhai) Company Limited	China	USD	15,000,000	50	Property developing & investment
	Hybonia Limited	Hong Kong	HKD	20	100	Property owning
✡ ⌘ +	Jiangmen Hutchison Whampoa Properties Limited	China	RMB	120,000,000	45	Property developing
✡ +	Konorus Investment Limited	Hong Kong	HKD	2	43	Property developing
✡ +	Marketon Investment Limited	Hong Kong	HKD	4	50	Property owning
	Matrica Limited	Hong Kong	HKD	20	70	Property owning and hotel operation
	Mossburn Investments Limited	Hong Kong	HKD	1,000	100	Property owning
	Omaha Investments Limited	Hong Kong	HKD	10,000	100	Property owning
	Palliser Investments Limited	Hong Kong	HKD	100,000	100	Property owning
# +	Randash Investment Limited	Hong Kong	HKD	110	39	Investment in hotel
✡ ⚐ +	Regal Lake Property Development Limited Guang Zhou	China	RMB	1,040,640,000	40	Property developing
	Rhine Office Investments Limited	Hong Kong	HKD	2	100	Property owning
✡ ♁ +	Shanghai Cheung Tai Property Development Limited	China	RMB	870,000,000	50	Property developing
✡ ♁ +	Shanghai Helian Property Development Co., Ltd.	China	USD	74,700,000	50	Property developing
✡ ⚐	Shanghai Westgate Mall Co., Ltd.	China	USD	40,000,000	30	Property owning
✡ ⚐ +	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB	620,000,000	40	Property developing & investment
✡ ♁ +	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB	250,000,000	50	Property developing
✡ ♁ +	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB	232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	USD	5	50	Investment in hotel
	Trillium Investment Limited	Bahamas/Hong Kong	USD	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HKD	2	100	Property owning
	Vember Lord Limited	Hong Kong	HKD	2	100	Property owning

Principal Subsidiary and Associated Companies and Jointly Controlled Entities
at 31 December 2011

	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					
	A.S. Watson & Company, Limited	Hong Kong	HKD	109,550,965	100	Holding company
	A.S. Watson (Europe) Finance B.V.	Netherlands	EUR	18,000	100	Finance
	A.S. Watson (Europe) Holdings B.V.	Netherlands	EUR	18,300	100	Holding company
	A.S. Watson Group Holdings Limited	British Virgin Islands	USD	1	100	Holding company
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	USD	1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	A.S. Watson Investments S.à r.l.	Luxembourg	EUR	125,025	100	Holding company
	A/S Drogas	Latvia	LVL	1,280,000	100	Retailing
	DC Ukraine	Ukraine	UAH	29,300,000	100	Retailing
✡ +	Dirk Rossmann GmbH	Germany	EUR	12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HKD	20	100	Retailing
⌘	Guangzhou Park'N Shop Supermarkets Limited	China	HKD	83,330,000	97	Retailing
⌘	Guangzhou Watson's Food and Beverages Co. Limited	China	USD	32,283,432	95	Beverage manufacturing & trading
⌘	Guangzhou Watson's Personal Care Stores Limited	China	HKD	71,600,000	95	Retailing
	Ici Paris XL Nederland B.V.	Netherlands	EUR	20,000	100	Perfume retailing
	Kruidvat B.V.B.A.	Belgium	EUR	62,000	100	Retailing
	Kruidvat Retail B.V.	Netherlands	EUR	20,000	100	Retailing
+	Marionnaud Parfumeries S A S	France	EUR	76,575,832	100	Holding in perfume retailing business
	Marionnaud Parfumeries Autriche GmbH	Austria	EUR	2,543,549	100	Perfume retailing
	Marionnaud Parfumeries Iberica, S.L.	Spain	EUR	35,802,167	100	Perfume retailing
	Marionnaud Parfumeries Portugal Lda	Portugal	EUR	550,000	100	Perfume retailing
	Marionnaud Parfumeries Italia S.p.A.	Italy	EUR	3,500,000	100	Perfume retailing
	Marionnaud Switzerland AG	Switzerland	CHF	10,000,000	100	Perfume retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HKD	20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd	Singapore	SGD	2	50	Operation of duty free shops
	Parfumerie Ici Paris XL N.V.	Belgium	EUR	770,000	100	Perfume retailing
	Park'N Shop Limited	Hong Kong	HKD	1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP	1,400,000	100	Retailing
+	Spektr Group Limited Liability Company	Russia	RUB	3,000,000	100	Retailing
	Superdrug Stores plc	United Kingdom	GBP	22,000,000	100	Retailing
	The Perfume Shop Limited	United Kingdom	GBP	100,000	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	SGD	5,000,000	100	Retailing
	Watson's Personal Care Stores Sdn. Bhd.	Malaysia	MYR	2,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP	135,000,000	60	Retailing
	Watson's The Chemist Limited	Hong Kong	HKD	1,000,000	100	Retailing

	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	HKD	2,338,709,945	82	Holding Company
❋ # +	Husky Energy Inc.	Canada	C$	6,327,176,675	34	Investment in oil and gas
# +	Northern Gas Networks Holdings Limited	United Kingdom	GBP	571,670,980	38	Gas distribution
# +	Northumbrian Water Group Limited	United Kingdom	GBP	51,862,385	33	Water & sewerage businesses
❋ # +	Power Assets Holdings Limited	Hong Kong	HKD	2,134,261,654	32	Investment holdings in power and utility-related businesses
# +	UK Power Networks Holdings Limited	United Kingdom	GBP	10,000,000	33	Electricity distribution
	Telecommunications					
	3 Italia S. p. A.	Italy	EUR	3,047,756,290	97	3G mobile multimedia services
	Hi3G Access AB	Sweden	SEK	10,000,000	60	3G mobile multimedia services
	Hi3G Denmark ApS	Denmark	DKK	64,375,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	EUR	35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP	1	100	3G mobile multimedia services
	Hutchison Global Communications Limited	Hong Kong	HKD	20	65	Fixed-line communications
❋	Hutchison Telecommunications (Australia) Limited	Australia	AUD	4,204,487,847	88	Holding company
❋	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands/ Hong Kong	HKD	1,204,501,552	65	Holding company of mobile and fixed-line telecommunications businesses
	Hutchison Telecommunications (Vietnam) S.à r.l.	Luxembourg/ Vietnam	USD	20,000	100	Investment holdings in mobile telecommunications business
	Hutchison Telephone Company Limited	Hong Kong	HKD	1,258,120	49	Mobile telecommunications services
	PT. Hutchison CP Telecommunications	Indonesia	IDR	649,890,000,000	65	Mobile telecommunications services
✡ +	Vodafone Hutchison Australia Pty Limited	Australia	AUD	6,046,889,713	44	3G mobile multimedia services
	Finance and investments					
	Binion Investment Holdings Limited	Cayman Islands	USD	3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HKD	2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HKD	139,254,060	100	Holding company
	Hutchison International Finance (03/08) Limited	British Virgin Islands	USD	1	100	Finance
	Hutchison International Limited	Hong Kong	HKD	446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	USD	1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR	1,764,026,900	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP	1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (05) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (06) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (09) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance UK plc	United Kingdom	GBP	50,000	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09/16) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09/19) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (10) Limited	Cayman Islands	USD	1	100	Finance

	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	USD	65,000,000	50	Aircraft maintenance
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HKD	896,814,071	71	Holding company of property investment business
❋	Hutchison China MediTech Limited	Cayman Islands/China	USD	51,743,153	71	Holding company of healthcare businesses
	Hutchison Water Holdings Limited	Cayman Islands	USD	100,000	80	Investment holding in water businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HKD	15,000,000	100	Investment holding & China business
#	Metro Broadcast Corporation Limited	Hong Kong	HKD	1,000,000	50	Radio broadcasting
❋ #	TOM Group Limited	Cayman Islands/ Hong Kong	HKD	389,327,056	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 Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the Alternative Investment Market of London 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 share capital of Hutchison Port Holdings Trust is in a form of trust units.

\+ 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 27% and 6% of the Group's respective items.

	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	USD	65,000,000	50	Aircraft maintenance
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HKD	896,814,071	71	Holding company of property investment business
❋	Hutchison China MediTech Limited	Cayman Islands/China	USD	51,743,153	71	Holding company of healthcare businesses
	Hutchison Water Holdings Limited	Cayman Islands	USD	100,000	80	Investment holding in water businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HKD	15,000,000	100	Investment holding & China business
#	Metro Broadcast Corporation Limited	Hong Kong	HKD	1,000,000	50	Radio broadcasting
❋ #	TOM Group Limited	Cayman Islands/ Hong Kong	HKD	389,327,056	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.

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❋ Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the Alternative Investment Market of London 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 share capital of Hutchison Port Holdings Trust is in a form of trust units.

\+ 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 27% and 6% of the Group's respective items.

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 126 to 222, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view 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 consolidated 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 2010, 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, 29 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

2010 US$ millions		Note	2010 HK$ millions	As restated Note 1 2009 HK$ millions
	Company and subsidiary companies:			
26,818	Revenue	4, 5	**209,180**	208,808
(10,041)	Cost of inventories sold		**(78,321)**	(74,275)
(3,688)	Staff costs		**(28,768)**	(28,309)
(2,053)	Telecommunications customer acquisition costs		**(16,013)**	(16,544)
(1,914)	Depreciation and amortisation	5	**(14,932)**	(16,258)
(6,469)	Other operating expenses	5	**(50,456)**	(60,769)
110	Change in fair value of investment properties		**855**	1,117
–	Profit on disposal of investments	6	**–**	12,472
	Share of profits less losses after tax of:			
829	Associated companies	19	**6,469**	5,390
1,203	Jointly controlled entities	20	**9,382**	3,677
4,795		5	**37,396**	35,309
(1,087)	Interest and other finance costs	8	**(8,476)**	(9,613)
3,708	**Profit before tax**		**28,920**	25,696
(320)	Current tax charge	9	**(2,493)**	(4,588)
(109)	Deferred tax credit (charge)	9	**(847)**	92
3,279	**Profit after tax**		**25,580**	21,200
(710)	**Allocated as : Profit attributable to non-controlling interests and holders of perpetual capital securities**		**(5,542)**	(7,569)
2,569	**Profit attributable to ordinary shareholders of the Company**	11	**20,038**	13,631
US 60.3 cents	**Earnings per share for profit attributable to ordinary shareholders of the Company**	11	**HK$ 4.70**	HK$ 3.20

Details of interim dividend paid and proposed final dividend payable to the ordinary shareholders of the Company are set out in note 10.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

2010 US$ millions		Note	2010 HK$ millions	As restated Note 1 2009 HK$ millions
3,279	**Profit after tax**		**25,580**	21,200
	Other comprehensive income			
	Available-for-sale investments:			
129	Valuation gains recognised directly in reserves		**1,001**	417
(108)	Valuation gains previously in reserves recognised in income statement for the year		**(839)**	(198)
59	Net actuarial gains of defined benefit plans		**463**	31
	Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
7	Gains recognised directly in reserves		**52**	1
(3)	Losses (gains) previously in reserves recognised in initial cost of non-financial items for the year		**(25)**	4
(789)	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		**(6,152)**	11,170
–	Gains on repayment of foreign currency loans from a jointly controlled entity previously in reserves recognised in income statement for the year		**–**	(930)
(2)	Gains previously in reserves related to subsidiaries disposed during the year recognised in income statement for the year		**(17)**	(1,909)
–	Others		**–**	7
323	Share of other comprehensive income of associated companies for the year		**2,520**	6,665
236	Share of other comprehensive income of jointly controlled entities for the year		**1,841**	1,547
(148)	Other comprehensive income (losses) before tax		**(1,156)**	16,805
(18)	Tax relating to components of other comprehensive income	12	**(140)**	149
(166)	Other comprehensive income (losses) after tax		**(1,296)**	16,954
3,113	**Total comprehensive income**		**24,284**	38,154
(771)	**Allocated as : Attributable to non-controlling interests and holders of perpetual capital securities**		**(6,014)**	(8,198)
2,342	**Attributable to ordinary shareholders of the Company**		**18,270**	29,956

Consolidated Statement of Financial Position

at 31 December 2010

31 December 2010 US$ millions		Note	31 December 2010 HK$ millions	As restated Note 1 31 December 2009 HK$ millions	As restated Note 1 1 January 2009 HK$ millions
	ASSETS				
	Non-current assets				
21,519	Fixed assets	13	167,851	176,192	178,143
5,544	Investment properties	14	43,240	42,323	41,282
3,534	Leasehold land	15	27,561	29,191	29,848
8,761	Telecommunications licences	16	68,333	70,750	72,175
3,504	Goodwill	17	27,332	28,858	30,436
1,649	Brand names and other rights	18	12,865	7,351	10,486
13,529	Associated companies	19	105,528	83,716	76,045
6,927	Interests in joint ventures	20	54,032	51,568	45,865
1,808	Deferred tax assets	21	14,105	14,657	13,248
1,171	Other non-current assets	22	9,131	5,286	8,904
3,152	Liquid funds and other listed investments	23	24,585	23,213	30,735
71,098			554,563	533,105	537,167
	Current assets				
11,750	Cash and cash equivalents	24	91,652	92,521	57,286
7,337	Trade and other receivables	25	57,229	48,146	54,767
2,273	Inventories		17,733	16,593	18,528
21,360			166,614	157,260	130,581
	Current liabilities				
10,370	Trade and other payables	26	80,889	73,029	82,599
2,964	Bank and other debts	28	23,122	17,589	23,945
372	Current tax liabilities		2,900	3,249	1,274
13,706			106,911	93,867	107,818
7,654	**Net current assets**		59,703	63,393	22,763
78,752	**Total assets less current liabilities**		614,266	596,498	559,930
	Non-current liabilities				
29,248	Bank and other debts	28	228,134	242,851	234,141
1,730	Interest bearing loans from non-controlling shareholders	29	13,493	13,424	13,348
1,832	Deferred tax liabilities	21	14,290	13,355	13,616
218	Pension obligations	30	1,702	2,436	2,541
506	Other non-current liabilities	31	3,945	4,520	4,586
33,534			261,564	276,586	268,232
45,218	**Net assets**		352,702	319,912	291,698

31 December 2010 US$ millions		Note	31 December 2010 HK$ millions	As restated Note 1 31 December 2009 HK$ millions	As restated Note 1 1 January 2009 HK$ millions
	CAPITAL AND RESERVES				
137	Share capital	32	**1,066**	1,066	1,066
2,000	Perpetual capital securities	32	**15,600**	–	–
37,542	Reserves		**292,831**	281,433	258,820
39,679	**Total ordinary shareholders' funds and perpetual capital securities**		**309,497**	282,499	259,886
5,539	Non-controlling interests		**43,205**	37,413	31,812
45,218	**Total equity**		**352,702**	319,912	291,698

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

2010 US$ millions		Note	2010 HK$ millions	As restated Note 1 2009 HK$ millions
	Operating activities			
7,599	Cash generated from operating activities before interest and other finance costs, tax paid, telecommunications customer acquisition costs and changes in working capital	33 (a)	59,275	53,061
(995)	Interest and other finance costs paid		(7,763)	(8,910)
(336)	Tax paid		(2,617)	(2,866)
6,268	Funds from operations before telecommunications customer acquisition costs		48,895	41,285
(2,053)	Telecommunications customer acquisition costs		(16,013)	(16,544)
4,215	**Funds from operations**		32,882	24,741
(386)	Changes in working capital	33 (b)	(3,015)	(4,514)
3,829	**Net cash from operating activities**		29,867	20,227
	Investing activities			
(1,578)	Purchase of fixed assets and investment properties for established businesses		(12,308)	(11,218)
(1,202)	Purchase of fixed assets for **3** Group		(9,375)	(7,834)
(7)	Additions to leasehold land		(54)	(30)
(19)	Additions to telecommunications licences	16, 33(e)	(146)	–
(59)	Additions to brand names and other rights	18, 33(e)	(461)	(494)
–	Purchase of subsidiary companies	33 (c)	–	(126)
(534)	Additions to other unlisted investments and long term receivables		(4,163)	(257)
154	Repayments from associated companies and jointly controlled entities		1,203	10,423
(2,058)	Purchase of and advances to (including deposits from) associated companies and jointly controlled entities		(16,056)	1,449
1,282	Proceeds on disposal of fixed assets, leasehold land and investment properties		9,997	1,345
(9)	Proceeds on disposal of subsidiary companies	33 (d)	(69)	15,892
–	Proceeds on disposal of associated companies		1	176
1	Proceeds on disposal of jointly controlled entities		10	48
76	Proceeds on disposal of other unlisted investments		589	714
–	Proceeds on disposal of infrastructure project investments		–	18
(3,953)	Cash flows from (used in) investing activities before additions to / disposal of liquid funds and other listed investments		(30,832)	10,106
67	Disposal of liquid funds and other listed investments		523	13,468
(157)	Additions to liquid funds and other listed investments		(1,227)	(4,835)
(4,043)	**Cash flows from (used in) investing activities**		(31,536)	18,739
(214)	**Net cash inflow (outflow) before financing activities**		(1,669)	38,966

2010 US$ millions		Note	2010 HK$ millions	As restated Note 1 2009 HK$ millions
	Financing activities			
5,286	New borrowings		**41,232**	111,452
(6,338)	Repayment of borrowings		**(49,434)**	(103,182)
1,040	Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders		**8,105**	(487)
(606)	Payments to acquire additional interests in subsidiary companies		**(4,727)**	(610)
1,982	Proceeds on issue of perpetual capital securities, net of transaction costs		**15,464**	–
(316)	Dividends paid to non-controlling shareholders		**(2,465)**	(3,529)
(946)	Dividends paid to ordinary shareholders		**(7,375)**	(7,375)
102	**Cash flows from (used in) financing activities**		**800**	(3,731)
(112)	Increase (decrease) in cash and cash equivalents		**(869)**	35,235
11,862	Cash and cash equivalents at 1 January		**92,521**	57,286
11,750	**Cash and cash equivalents at 31 December**		**91,652**	92,521
	Analysis of cash, liquid funds and other listed investments			
11,750	Cash and cash equivalents, as above	24	**91,652**	92,521
3,152	Liquid funds and other listed investments	23	**24,585**	23,213
14,902	**Total cash, liquid funds and other listed investments**		**116,237**	115,734
31,713	Total principal amount of bank and other debts	28	**247,362**	259,089
1,730	Interest bearing loans from non-controlling shareholders	29	**13,493**	13,424
18,541	**Net debt**		**144,618**	156,779
(1,730)	Interest bearing loans from non-controlling shareholders		**(13,493)**	(13,424)
16,811	**Net debt (excluding interest bearing loans from non-controlling shareholders)**		**131,125**	143,355

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Attributable to								
	Ordinary shareholders								
	Share capital and premium [a]	Exchange reserve	Other reserves [b]	Retained profit	Sub-total	Holders of perpetual capital securities [c]	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2010, as previously reported	29,425	6,117	2,233	245,756	283,531	–	283,531	37,413	320,944
Prior year adjustments in respect of changes in accounting policies (see note 1)	–	(17)	–	(1,015)	(1,032)	–	(1,032)	–	(1,032)
At 1 January 2010, as restated	29,425	6,100	2,233	244,741	282,499	–	282,499	37,413	319,912
Profit for the year	–	–	–	20,038	20,038	164	20,202	5,378	25,580
Other comprehensive income									
Available-for-sale investments:									
Valuation gains recognised directly in reserves	–	–	833	–	833	–	833	168	1,001
Valuation gains previously in reserves recognised in income statement for the year	–	–	(679)	–	(679)	–	(679)	(160)	(839)
Net actuarial gains of defined benefit plans	–	–	–	454	454	–	454	9	463
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:									
Gains recognised directly in reserves	–	–	44	–	44	–	44	8	52
Gains previously in reserves recognised in initial cost of non-financial items for the year	–	–	(25)	–	(25)	–	(25)	–	(25)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(6,244)	–	–	(6,244)	–	(6,244)	92	(6,152)
Losses (gains) previously in reserves related to subsidiaries disposed during the year recognised in income statement for the year	–	(13)	1	–	(12)	–	(12)	(5)	(17)
Share of other comprehensive income of associated companies for the year	–	2,015	380	(27)	2,368	–	2,368	152	2,520
Share of other comprehensive income of jointly controlled entities for the year	–	1,619	26	(8)	1,637	–	1,637	204	1,841
Tax relating to components of other comprehensive income	–	–	(9)	(135)	(144)	–	(144)	4	(140)
Other comprehensive income (losses)	–	(2,623)	571	284	(1,768)	–	(1,768)	472	(1,296)
Total comprehensive income (losses)	–	(2,623)	571	20,322	18,270	164	18,434	5,850	24,284
Dividends paid relating to 2009	–	–	–	(5,201)	(5,201)	–	(5,201)	–	(5,201)
Dividends paid relating to 2010	–	–	–	(2,174)	(2,174)	–	(2,174)	–	(2,174)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(2,620)	(2,620)
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	7,973	7,973
Transaction costs in relation to equity contribution from non-controlling interests	–	–	–	(107)	(107)	–	(107)	(19)	(126)
Share option schemes of subsidiaries	–	–	(40)	–	(40)	–	(40)	2	(38)
Share option lapsed	–	–	(28)	28	–	–	–	–	–
Unclaimed dividends write back	–	–	–	5	5	–	5	–	5
Issuance of perpetual capital securities	–	–	–	–	–	15,600	15,600	–	15,600
Transaction costs in relation to issuance of perpetual capital securities	–	–	–	(136)	(136)	–	(136)	–	(136)
Relating to purchase of non-controlling interests	–	–	617	–	617	–	617	(5,387)	(4,770)
Relating to disposal of subsidiary companies	–	–	–	–	–	–	–	(7)	(7)
At 31 December 2010	29,425	3,477	3,353	257,478	293,733	15,764	309,497	43,205	352,702

	Attributable to								
	Ordinary shareholders					Holders of perpetual capital securities [c]	Total ordinary shareholders' funds and perpetual capital securities	Non-controlling interests	Total equity
	Share capital and premium [a]	Exchange reserve	Other reserves [b]	Retained profit	Sub-total				
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2009, as previously reported	29,425	(9,411)	1,983	238,322	260,319	–	260,319	31,812	292,131
Prior year adjustments in respect of changes in accounting policies (see note 1)	–	45	–	(478)	(433)	–	(433)	–	(433)
At 1 January 2009, as restated	29,425	(9,366)	1,983	237,844	259,886	–	259,886	31,812	291,698
Profit for the year	–	–	–	13,631	13,631	–	13,631	7,569	21,200
Other comprehensive income									
Available-for-sale investments:									
Valuation gains recognised directly in reserves	–	–	387	–	387	–	387	30	417
Valuation gains previously in reserves recognised in income statement for the year	–	–	(196)	–	(196)	–	(196)	(2)	(198)
Net actuarial gains of defined benefit plans	–	–	–	28	28	–	28	3	31
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:									
Gains recognised directly in reserves	–	–	5	–	5	–	5	(4)	1
Losses previously in reserves recognised in initial cost of non-financial items for the year	–	–	4	–	4	–	4	–	4
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	10,301	–	–	10,301	–	10,301	869	11,170
Gains on repayment of foreign currency loans from a jointly controlled entity previously in reserves recognised in income statement for the year	–	(930)	–	–	(930)	–	(930)	–	(930)
Gains previously in reserves related to subsidiaries disposed during the year recognised in income statement for the year	–	(347)	(597)	(189)	(1,133)	–	(1,133)	(776)	(1,909)
Surplus on revaluation of properties upon transfer from other properties to investment properties	–	–	7	–	7	–	7	–	7
Share of other comprehensive income of associated companies for the year	–	5,042	637	643	6,322	–	6,322	343	6,665
Share of other comprehensive income of jointly controlled entities for the year	–	1,400	–	4	1,404	–	1,404	143	1,547
Tax relating to components of other comprehensive income	–	–	(29)	155	126	–	126	23	149
Other comprehensive income	–	15,466	218	641	16,325	–	16,325	629	16,954
Total comprehensive income	–	15,466	218	14,272	29,956	–	29,956	8,198	38,154
Dividends paid relating to 2008	–	–	–	(5,201)	(5,201)	–	(5,201)	–	(5,201)
Dividends paid relating to 2009	–	–	–	(2,174)	(2,174)	–	(2,174)	–	(2,174)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(3,486)	(3,486)
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	4,209	4,209
Share option schemes of subsidiaries	–	–	27	–	27	–	27	31	58
Share option lapsed	–	–	5	(5)	–	–	–	–	–
Unclaimed dividends write back	–	–	–	5	5	–	5	–	5
Relating to purchase of non-controlling interests	–	–	–	–	–	–	–	245	245
Relating to disposal of subsidiary companies	–	–	–	–	–	–	–	(3,596)	(3,596)
At 31 December 2009	29,425	6,100	2,233	244,741	282,499	–	282,499	37,413	319,912

(a) Share capital and premium comprise share capital of HK$1,066 million, share premium of HK$27,955 million and capital redemption reserve of HK$404 million in all reporting years.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2010, revaluation reserve surplus amounted to HK$2,242 million (1 January 2010 - HK$2,053 million and 1 January 2009 - HK$2,444 million), hedging reserve surplus amounted to HK$501 million (1 January 2010 - HK$120 million and 1 January 2009 - deficit of HK$523 million) and other capital reserves surplus amounted to HK$610 million (1 January 2010 - HK$60 million and 1 January 2009 - HK$62 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 cash flow hedges are included in the hedging reserve.

(c) In October 2010, the group issued subordinated guaranteed perpetual capital securities (the "perpetual capital securities") with a nominal amount of US$2,000 million (approximately HK$15,600 million) for cash, which are classified as equity under HKFRSs.

(d) The Group's share of exchange reserve of associated companies and jointly controlled entities are gains of HK$1,597 million (2009 - HK$3,624 million) and losses of HK$1,033 million (2009 - HK$332 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$242 million (2009 - HK$463 million) and losses of HK$8 million (2009 - gains of HK$4 million) respectively.

Notes to the Accounts

1 Basis of preparation

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2010. The adoption of these new and revised standards, amendments and interpretations has introduced certain changes to terminology in the Group's accounts in 2010 (for example the terms "non-controlling interests" and "non-controlling shareholders" replace "minority interests" and "minority shareholders", respectively) and has also resulted in a change to the Group's accounting policies in respect of classification of land leases, business combinations, and acquisitions and disposals of ownership interests in subsidiaries, associated companies and joint ventures that has affected the amount reported for the current and prior years. In addition, the Group's listed associated company, Husky Energy Inc. ("Husky Energy") announced that its accounting policy for oil and gas properties under the International Financial Reporting Standards ("IFRS") has been changed.

Information on the effect of the adoption of the aforementioned new and revised standards, amendments and interpretations, and the new accounting policies is set out below:

(a) Classification of leases of land

The amendments to Hong Kong Accounting Standard ("HKAS") 17 "Leases" are effective for the Group with effect from 1 January 2010. Amendments to HKAS 17 require that the classification of leases is based on the extent to which the risks and rewards incidental to ownership of an asset lie with the lessor or the lessee. In particular, the amendments deleted the specific guidance in the standard which previously required that the land element in a lease is normally classified as an operating lease unless title to the land is expected to be passed to the lessee by the end of the lease term. Under the amended HKAS 17, a lease of land is classified as fixed assets if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee. The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of certain leasehold land to fixed assets in the statement of financial position.

(b) Business combinations, and acquisitions and disposals of ownership interests in subsidiaries, associated companies and joint ventures

HKFRS 3 (Revised) "Business combinations" and consequential amendments to HKAS 27 "Consolidated and separate financial statements" are effective for the Group prospectively with effect from 1 January 2010.

HKFRS 3 (Revised) introduces significant changes in the Group's accounting for business combinations. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. Furthermore, the revised standard changes the accounting for business combinations achieved in stages. Under HKFRS 3 (Revised), the Group's previously held interests in the acquired entity are re-measured to fair value at the date the Group attains control and the resulting gain or loss, if any, is recognised in the income statement, and any comprehensive income recognised in prior periods in relation to the previously held interests is also reclassified to the income statement, as if those interests were directly disposed of. Previously, the resulting gain or loss would have been dealt with as a movement in the revaluation surplus account in reserves, and the amount recognised in other comprehensive income in prior periods in relation to the previously held interests is not reclassified to the income statement. The principle adopted under HKFRS 3 (Revised) in relation to business combinations achieved in stages is applicable to acquisitions of associated and joint venture companies in stages.

HKAS 27 (Revised) requires that an increase or a decrease in ownership interest in a subsidiary that does not result in the Group losing control over the subsidiary is accounted for as a transaction with owners in their capacity as owners and is dealt with in reserves and attributed to the ordinary shareholders of the Company, with no impact to goodwill or income statement. Previously, such transactions impact goodwill and give rise to gains or losses. When control of a subsidiary is lost as a result of a transaction, event or other circumstances, HKAS 27 (Revised) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when the control is lost, with the resulting fair value re-measurement gain or loss being recognised in the income statement. Previously, the retained interest in the former subsidiary is recognised at its carrying amount at the date when the control is lost and it does not give rise to fair value re-measurement gain or loss. The adoption of these revised standards has affected the accounting for acquisitions and transactions with non-controlling interests during the current year.

1 Basis of preparation (continued)

(c) Husky Energy's change in IFRS accounting policy for oil and gas properties

Husky Energy has changed its IFRS accounting policy for oil and gas properties. Under the previous policy, all costs of acquisition, exploration for and development of oil and gas reserves were capitalised and accumulated within cost centres on a country-by-country basis. Depletion of oil and gas properties was calculated using the unit-of-production method based on proved oil and gas reserves for each cost centre. Under the new policy, pre-exploration and evaluation costs are expensed as incurred, and exploratory wells will remain capitalised until the drilling operation is complete and the results have been evaluated. If the well does not encounter reserves of commercial quantity, the costs of drilling the well or wells will be written-off to exploration and evaluation expenses. Wells that result in commercial quantities of reserves remain capitalised and reclassified into property, plant, and equipment. The Group has adopted Husky Energy's new accounting policy in 2010 with retrospective effect and as a result the comparative information has been restated.

(d) As a result of the changes in accounting policies mentioned above (notes 1(a) to 1(c)), certain adjustments have been made to the comparative information. The effect, where material, of these changes are summarised below:

(i) Estimated effect on the consolidated income statement for the year ended 31 December 2010

	Changes in accounting policies			
	Business combinations	Classification of leases of land	Oil and gas properties	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Company and subsidiary companies:				
Revenue	–	–	–	–
Cost of inventories sold	–	–	–	–
Staff costs	–	–	–	–
Telecommunications customer acquisition costs	–	–	–	–
Depreciation and amortisation	–	–	–	–
Other operating expenses	(138)	–	–	(138)
Change in fair value of investment properties	–	–	–	–
Profit on disposal of investments	–	–	–	–
Share of profits less losses after tax of:				
Associated companies	–	–	(755)	(755)
Jointly controlled entities	–	–	–	–
	(138)	–	(755)	(893)
Interest and other finance costs	–	–	–	–
Profit before tax	(138)	–	(755)	(893)
Current tax charge	–	–	–	–
Deferred tax credit (charge)	–	–	–	–
Profit after tax	(138)	–	(755)	(893)
Allocated as : Profit attributable to non-controlling interests and holders of perpetual capital securities	(37)	–	–	(37)
Profit attributable to ordinary shareholders of the Company	(175)	–	(755)	(930)
Earnings per share for profit attributable to ordinary shareholders of the Company	(HK$ 0.04)	–	(HK$ 0.18)	(HK$ 0.22)

1 Basis of preparation (continued)

(ii) Estimated effect on the consolidated statement of financial position as at 31 December 2010

	Changes in accounting policies			
	Business combinations HK$ millions	Classification of leases of land HK$ millions	Oil and gas properties HK$ millions	Total HK$ millions
ASSETS				
Non-current assets				
Fixed assets	–	4,698	–	4,698
Investment properties	–	–	–	–
Leasehold land	–	(4,698)	–	(4,698)
Telecommunications licences	–	–	–	–
Goodwill	5	–	–	5
Brand names and other rights	–	–	–	–
Associated companies	440	–	(1,835)	(1,395)
Interests in joint ventures	–	–	–	–
Deferred tax assets	–	–	–	–
Other non-current assets	–	–	–	–
Liquid funds and other listed investments	–	–	–	–
	445	–	(1,835)	(1,390)
Current assets				
Cash and cash equivalents	–	–	–	–
Trade and other receivables	–	–	–	–
Inventories	–	–	–	–
	–	–	–	–
Current liabilities				
Trade and other payables	–	–	–	–
Bank and other debts	–	–	–	–
Current tax liabilities	–	–	–	–
	–	–	–	–
Net current assets	–	–	–	–
Total assets less current liabilities	445	–	(1,835)	(1,390)
Non-current liabilities				
Bank and other debts	–	–	–	–
Interest bearing loans from non-controlling shareholders	–	–	–	–
Deferred tax liabilities	–	–	–	–
Pension obligations	–	–	–	–
Other non-current liabilities	–	–	–	–
	–	–	–	–
Net assets	445	–	(1,835)	(1,390)
CAPITAL AND RESERVES				
Share capital	–	–	–	–
Perpetual capital securities	–	–	–	–
Reserves	408	–	(1,835)	(1,427)
Total ordinary shareholders' funds and perpetual capital securities	408	–	(1,835)	(1,427)
Non-controlling interests	37	–	–	37
Total equity	445	–	(1,835)	(1,390)

1 Basis of preparation (continued)

(iii) Effect on the consolidated income statement for the year ended 31 December 2009

		Changes in accounting policies		
	As previously reported	Classification of leases of land	Oil and gas properties	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Company and subsidiary companies:				
Revenue	208,808	–	–	208,808
Cost of inventories sold	(74,275)	–	–	(74,275)
Staff costs	(28,309)	–	–	(28,309)
Telecommunications customer acquisition costs	(16,544)	–	–	(16,544)
Depreciation and amortisation	(16,258)	–	–	(16,258)
Other operating expenses	(60,769)	–	–	(60,769)
Change in fair value of investment properties	1,117	–	–	1,117
Profit on disposal of investments and others	12,472	–	–	12,472
Share of profits less losses after tax of:				
Associated companies	5,927	–	(537)	5,390
Jointly controlled entities	3,677	–	–	3,677
	35,846	–	(537)	35,309
Interest and other finance costs	(9,613)	–	–	(9,613)
Profit before tax	26,233	–	(537)	25,696
Current tax charge	(4,588)	–	–	(4,588)
Deferred tax credit	92	–	–	92
Profit after tax	21,737	–	(537)	21,200
Allocated as : Profit attributable to non-controlling interests	(7,569)	–	–	(7,569)
Profit attributable to shareholders of the Company	14,168	–	(537)	13,631
Earnings per share for profit attributable to shareholders of the Company	HK$ 3.32	–	(HK$ 0.12)	HK$ 3.20

1 Basis of preparation (continued)

(iv) Effect on the consolidated statement of financial position as at 31 December 2009

	As previously reported HK$ millions	Changes in accounting policies: Classification of leases of land HK$ millions	Changes in accounting policies: Oil and gas properties HK$ millions	As restated HK$ millions
ASSETS				
Non-current assets				
Fixed assets	171,399	4,793	–	176,192
Investment properties	42,323	–	–	42,323
Leasehold land	33,984	(4,793)	–	29,191
Telecommunications licences	70,750	–	–	70,750
Goodwill	28,858	–	–	28,858
Brand names and other rights	7,351	–	–	7,351
Associated companies	84,748	–	(1,032)	83,716
Interests in joint ventures	51,568	–	–	51,568
Deferred tax assets	14,657	–	–	14,657
Other non-current assets	5,286	–	–	5,286
Liquid funds and other listed investments	23,213	–	–	23,213
	534,137	–	(1,032)	533,105
Current assets				
Cash and cash equivalents	92,521	–	–	92,521
Trade and other receivables	48,146	–	–	48,146
Inventories	16,593	–	–	16,593
	157,260	–	–	157,260
Current liabilities				
Trade and other payables	73,029	–	–	73,029
Bank and other debts	17,589	–	–	17,589
Current tax liabilities	3,249	–	–	3,249
	93,867	–	–	93,867
Net current assets	63,393	–	–	63,393
Total assets less current liabilities	597,530	–	(1,032)	596,498
Non-current liabilities				
Bank and other debts	242,851	–	–	242,851
Interest bearing loans from non-controlling shareholders	13,424	–	–	13,424
Deferred tax liabilities	13,355	–	–	13,355
Pension obligations	2,436	–	–	2,436
Other non-current liabilities	4,520	–	–	4,520
	276,586	–	–	276,586
Net assets	320,944	–	(1,032)	319,912
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Reserves	282,465	–	(1,032)	281,433
Total shareholders' funds	283,531	–	(1,032)	282,499
Non-controlling interests	37,413	–	–	37,413
Total equity	320,944	–	(1,032)	319,912

1 Basis of preparation (continued)

(v) Effect on the consolidated income statement for the year ended 31 December 2008

	As previously reported HK$ millions	Changes in accounting policies: Classification of leases of land HK$ millions	Changes in accounting policies: Oil and gas properties HK$ millions	As restated HK$ millions
Company and subsidiary companies:				
Revenue	235,478	–	–	235,478
Cost of inventories sold	(77,172)	–	–	(77,172)
Staff costs	(31,929)	–	–	(31,929)
Telecommunications customer acquisition costs	(22,926)	–	–	(22,926)
Depreciation and amortisation	(24,876)	–	–	(24,876)
Other operating expenses	(66,001)	–	–	(66,001)
Change in fair value of investment properties	672	–	–	672
Profit on disposal of investments and others	3,458	–	–	3,458
Share of profits less losses after tax of:				
Associated companies before profit on disposal of investments and others	12,522	–	(232)	12,290
Jointly controlled entities	5,286	–	–	5,286
Associated company's profit on disposal of an investment and others	3,122	–	–	3,122
	37,634	–	(232)	37,402
Interest and other finance costs	(17,286)	–	–	(17,286)
Profit before tax	20,348	–	(232)	20,116
Current tax charge	(3,443)	–	–	(3,443)
Deferred tax credit	2,576	–	–	2,576
Profit after tax	19,481	–	(232)	19,249
Allocated as : Profit attributable to non-controlling interests	(6,800)	–	–	(6,800)
Profit attributable to shareholders of the Company	12,681	–	(232)	12,449
Earnings per share for profit attributable to shareholders of the Company	HK$ 2.97	–	(HK$ 0.05)	HK$ 2.92

1 Basis of preparation (continued)

(vi) Effect on the consolidated statement of financial position as at 1 January 2009

	As previously reported HK$ millions	Changes in accounting policies: Classification of leases of land HK$ millions	Changes in accounting policies: Oil and gas properties HK$ millions	As restated HK$ millions
ASSETS				
Non-current assets				
Fixed assets	173,246	4,897	–	178,143
Investment properties	41,282	–	–	41,282
Leasehold land	34,745	(4,897)	–	29,848
Telecommunications licences	72,175	–	–	72,175
Goodwill	30,436	–	–	30,436
Brand names and other rights	10,486	–	–	10,486
Associated companies	76,478	–	(433)	76,045
Interests in joint ventures	45,865	–	–	45,865
Deferred tax assets	13,248	–	–	13,248
Other non-current assets	8,904	–	–	8,904
Liquid funds and other listed investments	30,735	–	–	30,735
	537,600	–	(433)	537,167
Current assets				
Cash and cash equivalents	57,286	–	–	57,286
Trade and other receivables	54,767	–	–	54,767
Inventories	18,528	–	–	18,528
	130,581	–	–	130,581
Current liabilities				
Trade and other payables	82,599	–	–	82,599
Bank and other debts	23,945	–	–	23,945
Current tax liabilities	1,274	–	–	1,274
	107,818	–	–	107,818
Net current assets	22,763	–	–	22,763
Total assets less current liabilities	560,363	–	(433)	559,930
Non-current liabilities				
Bank and other debts	234,141	–	–	234,141
Interest bearing loans from non-controlling shareholders	13,348	–	–	13,348
Deferred tax liabilities	13,616	–	–	13,616
Pension obligations	2,541	–	–	2,541
Other non-current liabilities	4,586	–	–	4,586
	268,232	–	–	268,232
Net assets	292,131	–	(433)	291,698
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Reserves	259,253	–	(433)	258,820
Total shareholders' funds	260,319	–	(433)	259,886
Non-controlling interests	31,812	–	–	31,812
Total equity	292,131	–	(433)	291,698

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2010 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 2(c) and 2(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2010 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 2(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

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

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

(d) Joint ventures

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

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

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

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

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

2 Significant accounting policies (continued)

(e) Fixed assets (continued)

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

(f) Investment properties

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

(g) Leasehold land

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

(h) Telecommunications licences

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

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

(i) Telecommunications customer acquisition costs

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

(j) Goodwill

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

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

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

2 Significant accounting policies (continued)

(k) Brand names and other rights

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

(l) Deferred tax

Deferred tax is 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 / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and 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 the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

2 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 HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

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

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

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

(o) Trade and other receivables

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

(p) Properties under development

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

(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.

2 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 the income statement in the period in which they are incurred.

(t) Trade and other payables

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

(u) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

(v) Share capital

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

(w) Provisions

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

(x) Leased assets

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

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

(y) Asset impairment

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

2 Significant accounting policies (continued)

(z) Pension plans

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

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

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

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

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

(aa) Share-based payments

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

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

(ab) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period. 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 statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve. 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 the income statement. Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity.

2 Significant accounting policies (continued)

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

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

Property and hotels

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the relevant occupation permit, whichever is later and the economic benefit accrues to the Group and the significant risks and rewards of the properties accrue to the purchasers.
Rental income is recognised on a straight-line basis over the period of the lease.
Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

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 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 sale of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.
For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a handset device, the amount of revenue recognised upon the sale of the handset device is accrued as determined by considering the estimated fair values of each of the services element and handset device element of the contract.
Other service income is recognised when the service is rendered.
Customer service revenue is mobile telecommunications service revenue and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued handset device revenue and also less other service income.
Total revenue arising from mobile and fixed-line telecommunications services comprises of service revenue, other service income and sale of handset device revenue.

2 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 issued in 2010
HKAS 12 (Amendments) (2)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised) (1)	Related Party Disclosures
HKAS 32 (Amendment) (1)	Classification of Rights Issues
HKFRS 1 (Amendment) (1)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 (Amendments) (2)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments) (2)	Transfers of Financial Assets
HKFRS 9 (3)	Financial Instruments
Additions to HKFRS 9 (3)	Financial Instruments – Financial Liabilities
Hong Kong (IFRIC) Interpretation 19 (1)	Extinguishing Financial Liabilities with Equity Instruments
Hong Kong (IFRIC) Interpretation 14 (Amendment) (1)	Prepayments of a Minimum Funding Requirement

(1) Effective for the Group for annual periods beginning 1 January 2011
(2) Effective for the Group for annual periods beginning 1 January 2012
(3) Effective for the Group for annual periods beginning 1 January 2013

The adoption of standards, amendments and interpretations listed above, with the exception of HKAS 12 (Amendments), HKFRS 9 and Additions to HKFRS 9, in future periods is not expected to result in substantial changes to the Group's accounting policies.

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets applies to annual periods beginning 1 January 2012 and is available for early adoption. The current version of HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale. The amendments introduce a presumption that recovery of the carrying amount of an investment property is through sale. Accordingly, the effect that the adoption of the amendments will have on the results and financial position of the Group will depend on the timing of the adoption and the relevant applicable tax rate. As a result, it is impracticable to quantify the impact of amendments to HKAS 12 as at the date of publication of these accounts.

HKFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. Together with Additions to HKFRS 9 Financial Instruments – Financial Liabilities, these changes represent the first phase in the process to replace HKAS 39 Financial Instruments: Recognition and Measurement. The standard is not effective until 1 January 2013 but is available for early adoption. The second and third phases in the HKICPA's project to replace HKAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further development resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

3 Critical accounting estimates and judgements

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

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

(a) Long-lived assets

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

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

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

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

The Group's 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 2010 and 31 December 2009 to assess whether the carrying values of the Group's 3G telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2010 and 31 December 2009 indicated that no impairment charge was necessary.

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

3 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. 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 cell site and network sharing, network maintenances and other outsourcing programmes. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. 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% 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 4% to 6%. 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.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(ii) Telecommunications licences

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

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

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

For the purposes of impairment tests, the recoverable amount of licences is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. 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% 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 these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 4% to 6% (for example, 4.5% and 5.2% used in the Group's 3G operations in Italy and the UK respectively). While a reasonably possible change in a key assumption on which the recoverable amount of the telecommunications licences and network assets of the Group's 3G businesses (including 3G operations in Italy and the UK that have telecommunications licences with indefinite useful lives) is based would not cause the carrying amount to exceed their recoverable amount, judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(iii) Telecommunications customer acquisition costs

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

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

(c) Goodwill

Goodwill is initially measured at cost being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test described above. The results of the tests undertaken as at 31 December 2010 and 31 December 2009 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 financial budgets approved by management and estimated terminal value at the end of the approved financial budgets period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment 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 these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 4% to 7%. 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) Valuation

(i) Investment properties

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

3 Critical accounting estimates and judgements (continued)

(d) Valuation (continued)

(ii) Brand names and other rights

Brand names and other rights include rights to access and use infrastructure sites in the UK and customer base relating to subsidiaries acquired. These are initially carried in the statement of financial position at their fair value as determined by professional valuation and amortised over their useful lives unless they are assessed to have indefinite useful lives. The factors considered in the assessment of the fair value and useful lives include assumptions and estimates that reflect, amongst other things, comparable market transactions, rental charges for the use of similar rights in light of current market conditions, analysis of market and competitive trends, product life cycles, brand extension opportunities and contractual terms as applicable.

Judgement is required to determine the principal valuation assumptions to determine fair value and assessment of useful lives.

(iii) Telecommunications licences

The assignment to **3** Italy of two blocks of 5MHz of 1,800 MHz spectrum is initially carried in the statement of financial position at its fair value by reference to comparable market transactions and to costs saved, being the estimated acquisition costs and estimated annual fees saved.

Judgement is required to determine the fair value of the licenses.

(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 the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

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, amongst other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. 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 the income statement 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.

3 Critical accounting estimates and judgements (continued)

(e) Tax (continued)

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

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

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

(g) Sale and leaseback transactions

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

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

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

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

4 Turnover and revenue

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

	2010	2009
	HK$ millions	HK$ millions
Sales of goods	**106,882**	100,643
Rendering of services	**99,531**	104,846
Interest	**2,546**	2,995
Dividends	**221**	324
	209,180	208,808

5 Operating segment information

Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments. 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 (see notes 19 and 20).

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. Hutchison Telecommunications Hong Kong Holdings includes the Hong Kong and Macau mobile and fixed-line telecommunications operations. Hutchison Asia Telecommunications includes telecommunications operations in Indonesia, Sri Lanka, Thailand and Vietnam. 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$59 million (2009 – HK$25 million), Property and hotels is HK$310 million (2009 – HK$307 million), Finance & Investments is HK$14 million (2009 – HK$7 million), Hutchison Telecommunications Hong Kong Holdings is HK$123 million (2009 – HK$165 million) and Others is HK$641 million (2009 – HK$538 million).

5 Operating segment information (continued)

The following is an analysis of the Group's revenue and results by operating segment:

	Revenue							
	Company and Subsidiaries	**Associates and JCE**	**2010 Total**		Company and Subsidiaries	Associates and JCE	2009 Total	
	HK$ millions	**HK$ millions**	**HK$ millions**	**%** [a]	HK$ millions	HK$ millions	HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	**32,720**	**5,008**	**37,728**	**14%**	29,492	3,935	33,427	14%
Property and hotels	**5,682**	**10,477**	**16,159**	**6%**	5,233	8,679	13,912	6%
Retail	**102,014**	**21,163**	**123,177**	**47%**	96,552	19,546	116,098	48%
Cheung Kong Infrastructure	**2,997**	**15,268**	**18,265**	**7%**	2,404	12,576	14,980	6%
Husky Energy	**–**	**45,213**	**45,213**	**17%**	–	35,808	35,808	15%
Finance & Investments	**1,456**	**411**	**1,867**	**1%**	2,152	363	2,515	1%
Hutchison Telecommunications Hong Kong Holdings	**9,880**	**–**	**9,880**	**4%**	8,449	–	8,449	3%
Hutchison Asia Telecommunications	**2,486**	**–**	**2,486**	**1%**	1,855	–	1,855	1%
Telecommunications - Israel Operations	**–**	**–**	**–**	**–**	9,890	–	9,890	4%
Others	**4,122**	**2,820**	**6,942**	**3%**	3,589	2,436	6,025	2%
Subtotal – Established businesses	**161,357**	**100,360**	**261,717**	**100%**	159,616	83,343	242,959	100%
TELECOMMUNICATIONS - 3 Group	**47,823**	**16,382**	**64,205**		49,192	8,398	57,590	
	209,180	**116,742**	**325,922**		208,808	91,741	300,549	

5 Operating segment information (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services [c]	9,723	1,887	11,610	30%	9,025	1,381	10,406	28%
Property and hotels	3,189	5,805	8,994	23%	2,960	3,470	6,430	17%
Retail	6,388	1,478	7,866	20%	4,553	1,139	5,692	15%
Cheung Kong Infrastructure	1,077	7,377	8,454	21%	795	6,110	6,905	19%
Husky Energy	–	3,073	3,073	8%	–	3,246	3,246	9%
Finance & Investments [d]	757	395	1,152	3%	3,729	350	4,079	11%
Hutchison Telecommunications Hong Kong Holdings	1,111	(21)	1,090	3%	708	(16)	692	2%
Hutchison Asia Telecommunications [e]	(2,688)	–	(2,688)	-7%	(2,681)	–	(2,681)	-7%
Telecommunications - Israel Operations	–	–	–	–	2,482	–	2,482	6%
Others	(669)	327	(342)	-1%	(406)	261	(145)	–
EBIT - Established businesses [b]	18,888	20,321	39,209	100%	21,165	15,941	37,106	100%
TELECOMMUNICATIONS - 3 Group [f]								
EBIT before the following:	19,004	7,621	26,625		14,361	3,121	17,482	
Telecommunications CACs	(13,580)	(4,327)	(17,907)		(14,850)	(2,456)	(17,306)	
EBIT (LBIT) before depreciation and amortisation and the following non-cash items (see note 33(e)):	5,424	3,294	8,718		(489)	665	176	
Depreciation	(6,827)	(1,394)	(8,221)		(7,183)	(576)	(7,759)	
Amortisation of licence fees and other rights	(552)	(771)	(1,323)		(840)	(499)	(1,339)	
One-time gain arising from a revised **3** UK network sharing arrangement, net of provisions [f]	2,268	–	2,268		–	–	–	
One-time gain with reference to the assignment of telecommunications licence to **3** Italy [f]	1,489	–	1,489		–	–	–	
EBIT (LBIT) - Telecommunications - **3** Group [b]	1,802	1,129	2,931		(8,512)	(410)	(8,922)	
Change in fair value of investment properties	855	3,343	4,198		1,117	546	1,663	
Profit on disposal of investments (see note 6)	–	–	–		12,472	–	12,472	
EBIT	21,545	24,793	46,338		26,242	16,077	42,319	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,830)	(3,830)		–	(3,412)	(3,412)	
Current tax	–	(3,015)	(3,015)		–	(4,865)	(4,865)	
Deferred tax	–	(2,099)	(2,099)		–	1,267	1,267	
Non-controlling interests	–	2	2		–	–	–	
	21,545	15,851	37,396		26,242	9,067	35,309	

5 Operating segment information (continued)

	Depreciation and amortisation					
	Company and Subsidiaries	**Associates and JCE**	**2010 Total**	Company and Subsidiaries	Associates and JCE	2009 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES						
Ports and related services	**3,314**	**647**	**3,961**	3,056	544	3,600
Property and hotels	**283**	**149**	**432**	269	145	414
Retail	**1,809**	**406**	**2,215**	1,918	376	2,294
Cheung Kong Infrastructure	**142**	**2,411**	**2,553**	127	2,012	2,139
Husky Energy	**–**	**5,914**	**5,914**	–	5,893	5,893
Finance & Investments	**63**	**–**	**63**	66	–	66
Hutchison Telecommunications Hong Kong Holdings	**1,080**	**1**	**1,081**	1,296	2	1,298
Hutchison Asia Telecommunications	**795**	**–**	**795**	572	–	572
Telecommunications – Israel Operations	**–**	**–**	**–**	855	–	855
Others	**67**	**127**	**194**	76	69	145
Subtotal – Established businesses	**7,553**	**9,655**	**17,208**	8,235	9,041	17,276
TELECOMMUNICATIONS – 3 Group	**7,379**	**2,165**	**9,544**	8,023	1,075	9,098
	14,932	**11,820**	**26,752**	16,258	10,116	26,374

	Capital expenditure			
	Fixed assets, investment properties and leasehold land	**Telecom-munications licences**	**Brand names and other rights**	**2010 Total**
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**
ESTABLISHED BUSINESSES				
Ports and related services	**6,726**	**–**	**–**	**6,726**
Property and hotels	**127**	**–**	**–**	**127**
Retail	**1,791**	**–**	**–**	**1,791**
Cheung Kong Infrastructure	**70**	**–**	**–**	**70**
Husky Energy	**–**	**–**	**–**	**–**
Finance & Investments	**8**	**–**	**–**	**8**
Hutchison Telecommunications Hong Kong Holdings	**1,118**	**–**	**18**	**1,136**
Hutchison Asia Telecommunications	**2,411**	**–**	**70**	**2,481**
Telecommunications – Israel Operations	**–**	**–**	**–**	**–**
Others	**111**	**–**	**–**	**111**
Subtotal – Established businesses	**12,362**	**–**	**88**	**12,450**
TELECOMMUNICATIONS – 3 Group [g]	**9,375**	**146**	**373**	**9,894**
	21,737	**146**	**461**	**22,344**

5 Operating segment information (continued)

	Capital expenditure			
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2009 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES				
Ports and related services	4,970	–	–	4,970
Property and hotels	54	–	–	54
Retail	1,072	–	–	1,072
Cheung Kong Infrastructure	139	–	–	139
Husky Energy	–	–	–	–
Finance & Investments	19	–	–	19
Hutchison Telecommunications Hong Kong Holdings	1,042	–	69	1,111
Hutchison Asia Telecommunications	2,759	–	–	2,759
Telecommunications – Israel Operations	1,134	–	–	1,134
Others	59	–	–	59
Subtotal – Established businesses	11,248	–	69	11,317
TELECOMMUNICATIONS – 3 Group [(g)]	7,834	–	425	8,259
	19,082	–	494	19,576

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets [(h)]	**Deferred tax assets**	**Investments in associated companies and interests in joint ventures**	**2010 Total assets**	Segment assets [(h)]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2009 Total assets
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	**96,734**	**172**	**13,892**	**110,798**	96,854	145	13,129	110,128
Property and hotels	**50,732**	**117**	**24,737**	**75,586**	49,998	138	23,767	73,903
Retail	**45,254**	**680**	**5,239**	**51,173**	47,319	937	5,014	53,270
Cheung Kong Infrastructure	**14,303**	**9**	**56,146**	**70,458**	19,118	7	39,065	58,190
Husky Energy	**–**	**–**	**43,493**	**43,493**	–	–	39,987	39,987
Finance & Investments	**110,007**	**–**	**794**	**110,801**	91,528	–	828	92,356
Hutchison Telecommunications Hong Kong Holdings	**16,783**	**369**	**265**	**17,417**	16,355	369	272	16,996
Hutchison Asia Telecommunications	**18,011**	**–**	**–**	**18,011**	21,436	–	–	21,436
Telecommunications – Israel Operations	**–**	**–**	**–**	**–**	–	–	–	–
Others	**9,252**	**10**	**2,065**	**11,327**	9,081	7	1,891	10,979
Subtotal – Established businesses	**361,076**	**1,357**	**146,631**	**509,064**	351,689	1,603	123,953	477,245
TELECOMMUNICATIONS – 3 Group [(i)]	**186,436**	**12,748**	**12,929**	**212,113**	188,735	13,054	11,331	213,120
	547,512	**14,105**	**159,560**	**721,177**	540,424	14,657	135,284	690,365

5 Operating segment information (continued)

	Total liabilities							
	Segment liabilities[j]	Current & non-current borrowings[k] and other non-current liabilities	Current & deferred tax liabilities	2010 Total liabilities	Segment liabilities[j]	Current & non-current borrowings[k] and other non-current liabilities	Current & deferred tax liabilities	2009 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	17,542	41,865	6,449	65,856	15,383	43,988	6,323	65,694
Property and hotels	1,872	693	6,558	9,123	1,666	732	6,209	8,607
Retail	21,381	6,328	973	28,682	20,393	6,978	685	28,056
Cheung Kong Infrastructure	1,945	8,489	1,053	11,487	1,558	7,871	1,041	10,470
Husky Energy	–	–	–	–	–	–	–	–
Finance & Investments	3,006	85,673	793	89,472	2,990	80,416	334	83,740
Hutchison Telecommunications Hong Kong Holdings	3,990	4,175	198	8,363	3,271	4,991	140	8,402
Hutchison Asia Telecommunications	4,339	2,622	584	7,545	4,062	2,661	1,374	8,097
Telecommunications - Israel Operations	–	–	–	–	–	–	–	–
Others	1,757	412	233	2,402	1,796	320	216	2,332
Subtotal - Established businesses	55,832	150,257	16,841	222,930	51,119	147,957	16,322	215,398
TELECOMMUNICATIONS - 3 Group	26,759	118,437	349	145,545	24,346	130,427	282	155,055
	82,591	268,694	17,190	368,475	75,465	278,384	16,604	370,453

Additional disclosures by geographical location are shown below:

	Revenue							
	Company and Subsidiaries	Associates and JCE	2010 Total		Company and Subsidiaries	Associates and JCE	2009 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	45,618	12,839	58,457	18%	40,900	10,589	51,489	17%
Mainland China	25,839	13,436	39,275	12%	21,293	12,991	34,284	11%
Asia and Australia	20,370	22,511	42,881	13%	31,597	12,478	44,075	15%
Europe	109,887	22,273	132,160	41%	108,837	19,455	128,292	43%
Americas and others	7,466	45,683	53,149	16%	6,181	36,228	42,409	14%
	209,180	116,742	325,922	100%	208,808	91,741	300,549	100%

5 Operating segment information (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2010 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	%
Hong Kong	**6,180**	**5,556**	**11,736**	**25%**	4,710	4,607	9,317	22%
Mainland China	**6,012**	**5,016**	**11,028**	**24%**	5,037	5,006	10,043	24%
Asia and Australia	**1,271**	**4,801**	**6,072**	**13%**	4,686	765	5,451	13%
Europe	**5,540**	**2,965**	**8,505**	**19%**	(3,843)	1,906	(1,937)	-5%
Americas and others	**1,687**	**3,112**	**4,799**	**10%**	2,063	3,247	5,310	13%
Change in fair value of investment properties	**855**	**3,343**	**4,198**	**9%**	1,117	546	1,663	4%
Profit on disposal of investments (see note 6)	**–**	**–**	**–**	**–**	12,472	–	12,472	29%
EBIT	**21,545**	**24,793**	**46,338**	**100%**	26,242	16,077	42,319	100%
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest and other finance costs	**–**	**(3,830)**	**(3,830)**		–	(3,412)	(3,412)	
Current tax	**–**	**(3,015)**	**(3,015)**		–	(4,865)	(4,865)	
Deferred tax	**–**	**(2,099)**	**(2,099)**		–	1,267	1,267	
Non-controlling interests	**–**	**2**	**2**		–	–	–	
	21,545	**15,851**	**37,396**		26,242	9,067	35,309	

	Capital expenditure [g]			
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2010 Total HK$ millions
Hong Kong	**1,881**	**–**	**14**	**1,895**
Mainland China	**1,587**	**–**	**–**	**1,587**
Asia and Australia	**3,698**	**–**	**73**	**3,771**
Europe	**12,855**	**146**	**373**	**13,374**
Americas and others	**1,716**	**–**	**1**	**1,717**
	21,737	**146**	**461**	**22,344**

5 Operating segment information (continued)

	Capital expenditure [g]			
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2009 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	1,380	–	69	1,449
Mainland China	922	–	–	922
Asia and Australia	5,229	–	–	5,229
Europe	9,942	–	425	10,367
Americas and others	1,609	–	–	1,609
	19,082	–	494	19,576

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[h]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2010 Total assets	Segment assets[h]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2009 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	100,421	743	31,869	133,033	99,449	866	32,348	132,663
Mainland China	54,001	156	29,272	83,429	43,767	15	26,402	70,184
Asia and Australia	46,816	205	27,571	74,592	40,995	71	23,296	64,362
Europe	271,801	12,914	21,642	306,357	267,766	13,616	8,742	290,124
Americas and others	74,473	87	49,206	123,766	88,447	89	44,496	133,032
	547,512	14,105	159,560	721,177	540,424	14,657	135,284	690,365

(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. 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 therefore presented as a measure of segment profit or loss in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to 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.

(c) Included in EBIT of Ports and related services in 2010 are valuation gains totalling HK$550 million in relation to an available-for-sale investment. These gains were previously recorded directly into reserves but are currently recognised in this year's income statement as a result of the investment becoming an associated company in the year (see note 1(b)).

5 Operating segment information (continued)

(d) Included in EBIT of Finance & Investments in 2009 is a foreign exchange gain of HK$930 million arising from the repayment of non-Hong Kong dollar loans from a jointly controlled entity.

(e) Included in EBIT of Hutchison Asia Telecommunications in 2010 are contributions from certain suppliers amounting to HK$669 million (2009 – HK$155 million).

(f) Included in EBIT (LBIT) of Telecommunications – **3** Group in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time gain with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy.

(g) Included in capital expenditures of Telecommunications – **3** Group in 2010 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2010 which has an effect of decreasing total expenditure by HK$604 million (2009 – increasing total expenditure by HK$289 million).

(h) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. Included in segment assets presented by geographical location are non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Asia and Australia, Europe, and Americas and others of HK$79,214 million (2009 – HK$78,867million), HK$25,013 million (2009 – HK$24,418 million), HK$21,843 million (2009 – HK$19,977 million), HK$205,044 million (2009 – HK$214,950 million) and HK$16,068 million (2009 – HK$16,453 million) respectively.

(i) Included in total assets of Telecommunications – **3** Group is an unrealised foreign currency exchange loss arising in 2010 of HK$8,086 million (2009 – gain of HK$8,408 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 non-controlling shareholders.

6 Profit on disposal of investments

	2010 **HK$ millions**	2009 HK$ millions
ESTABLISHED BUSINESSES		
Gain on disposal of equity interest in Partner Communications Company Limited	–	7,392
Gain on disposal of equity interest in three power plants in Mainland China	–	847
Profit on disposal of certain telecommunications tower assets in Indonesia	–	592
TELECOMMUNICATIONS – 3 Group		
Gain on merger of **3** Australia with Vodafone's Australian operations	–	3,641
	–	12,472

7 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2010 and 2009 are as below (also see Report of the Directors):

	2010					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a) (f)]	**0.05**	**–**	**–**	**–**	**–**	**0.05**
LI Tzar Kuoi, Victor						
Paid by the Company	**0.12**	**4.44**	**38.48**	**–**	**–**	**43.04**
Paid by Cheung Kong Infrastructure	**0.07**	**–**	**13.33**	**–**	**–**	**13.40**
Paid to the Company	**(0.07)**	**–**	**–**	**–**	**–**	**(0.07)**
	0.12	**4.44**	**51.81**	**–**	**–**	**56.37**
FOK Kin-ning, Canning [(b)]	**0.12**	**10.29**	**141.10**	**2.13**	**–**	**153.64**
CHOW WOO Mo Fong, Susan [(b)]	**0.12**	**7.69**	**32.00**	**1.55**	**–**	**41.36**
Frank John SIXT [(b)]	**0.12**	**7.62**	**30.94**	**0.68**	**–**	**39.36**
LAI Kai Ming, Dominic [(b)]	**0.12**	**5.14**	**30.00**	**0.98**	**–**	**36.24**
KAM Hing Lam [(b)]						
Paid by the Company	**0.12**	**2.25**	**6.98**	**–**	**–**	**9.35**
Paid by Cheung Kong Infrastructure	**0.07**	**4.20**	**5.82**	**–**	**–**	**10.09**
Paid to the Company	**(0.07)**	**(4.20)**	**–**	**–**	**–**	**(4.27)**
	0.12	**2.25**	**12.80**	**–**	**–**	**15.17**
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**
Margaret LEUNG KO May Yee [(c)]	**0.12**	**–**	**–**	**–**	**–**	**0.12**
WONG Chung Hin [(c) (e) (f)]	**0.31**	**–**	**–**	**–**	**–**	**0.31**
Total	**2.07**	**37.43**	**298.65**	**5.34**	**–**	**343.49**

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2009 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

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

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$860,000 (2009 – HK$860,000).

(d) Non-executive directors.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

(g) Appointed on 22 May 2009.

(h) Retired on 21 May 2009.

7 Directors' emoluments (continued)

	2009					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a) (f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	30.78	–	–	35.34
Paid by Cheung Kong Infrastructure	0.07	–	11.11	–	–	11.18
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	41.89	–	–	46.45
FOK Kin-ning, Canning [(b)]	0.12	10.22	111.81	2.13	–	124.28
CHOW WOO Mo Fong, Susan [(b)]	0.12	7.65	26.68	1.54	–	35.99
Frank John SIXT [(b)]	0.18	7.63	25.53	0.68	–	34.02
LAI Kai Ming, Dominic [(b)]	0.12	5.15	24.94	0.98	–	31.19
KAM Hing Lam [(b)]						
Paid by the Company	0.12	2.25	5.81	–	–	8.18
Paid by Cheung Kong Infrastructure	0.07	4.20	4.85	–	–	9.12
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	10.66	–	–	13.03
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
Margaret LEUNG KO May Yee [(c) (g)]	0.07	–	–	–	–	0.07
OR Ching Fai, Raymond [(c) (h)]	0.05	–	–	–	–	0.05
WONG Chung Hin [(c) (e) (f)]	0.31	–	–	–	–	0.31
Total	2.13	37.34	241.51	5.33	–	286.31

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 (2009 – nil).

In 2010, the five individuals whose emoluments were the highest for the year were five directors of the Company. In 2009, 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$6.03 million; provident fund contribution – HK$0.44 million; and bonus – HK$24.95 million.

8 Interest and other finance costs

	2010 HK$ millions	2009 HK$ millions
Bank loans and overdrafts	**1,474**	1,907
Other loans repayable within 5 years	**59**	98
Other loans not wholly repayable within 5 years	**18**	20
Notes and bonds repayable within 5 years	**2,968**	3,449
Notes and bonds not wholly repayable within 5 years	**3,028**	3,175
	7,547	8,649
Interest bearing loans from non-controlling shareholders repayable within 5 years	**245**	275
Interest bearing loans from non-controlling shareholders not wholly repayable within 5 years	**57**	74
	7,849	8,998
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**243**	347
Notional non-cash interest accretion [(a)]	**470**	356
Other finance costs	**72**	188
	8,634	9,889
Less: interest capitalised [(b)]	**(158)**	(276)
	8,476	9,613

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

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.3% to 6.0% per annum (2009 – 0.3% to 6.0% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2010 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2009 Total HK$ millions
Hong Kong	**581**	**978**	**1,559**	529	(143)	386
Outside Hong Kong	**1,912**	**(131)**	**1,781**	4,059	51	4,110
	2,493	**847**	**3,340**	4,588	(92)	4,496

Hong Kong profits tax has been provided for at the rate of 16.5% (2009 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

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

	Established businesses HK$ millions	Telecom-munications - 3 Group HK$ millions	2010 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**2,687**	**(334)**	**2,353**
Tax effect of:			
Tax losses not recognised	**1,636**	**434**	**2,070**
Tax incentives	**(540)**	**–**	**(540)**
Income not subject to tax	**(837)**	**(4)**	**(841)**
Expenses not deductible for tax purposes	**816**	**–**	**816**
Recognition of previously unrecognised tax losses	**(105)**	**–**	**(105)**
Utilisation of previously unrecognised tax losses	**(169)**	**(173)**	**(342)**
Under provision in prior years	**2**	**–**	**2**
Deferred tax assets written off	**(1)**	**–**	**(1)**
Other temporary differences	**(172)**	**94**	**(78)**
Effect of change in tax rate	**6**	**–**	**6**
Total tax for the year	**3,323**	**17**	**3,340**

9 Tax (continued)

	Established businesses HK$ millions	Telecom-munications – **3** Group HK$ millions	2009 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	4,215	(3,205)	1,010
Tax effect of:			
Tax losses not recognised	1,014	3,199	4,213
Tax incentives	(523)	–	(523)
Income not subject to tax	(483)	(5)	(488)
Expenses not deductible for tax purposes	946	–	946
Recognition of previously unrecognised tax losses	(711)	–	(711)
Utilisation of previously unrecognised tax losses	(38)	–	(38)
Under provision in prior years	45	–	45
Deferred tax assets written off	3	–	3
Other temporary differences	41	(5)	36
Effect of change in tax rate	3	–	3
Total tax for the year	4,512	(16)	4,496

10 Dividends

	2010 HK$ millions	2009 HK$ millions
Interim, paid of HK$0.51 per share (2009 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.41 per share (2009 – HK$1.22)	**6,011**	5,201
	8,185	7,375

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

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK$20,038 million (2009 – HK$13,631 million) and on 4,263,370,780 shares in issue during 2010 (2009 – 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 2010. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2010 did not have a dilutive effect on earnings per share.

12 Other comprehensive income

Tax effect relating to each component of other comprehensive income:

	2010		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**
	HK$ millions	**HK$ millions**	**HK$ millions**
Available-for-sale investments:			
Valuation gains recognised directly in reserves	**1,001**	**(11)**	**990**
Valuation gains previously in reserves recognised in income statement for the year	**(839)**	**–**	**(839)**
Net actuarial gains of defined benefit plans	**463**	**(129)**	**334**
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised directly in reserves	**52**	**–**	**52**
Gains previously in reserves recognised in initial cost of non-financial items for the year	**(25)**	**–**	**(25)**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(6,152)**	**–**	**(6,152)**
Gains previously in reserves related to subsidiaries disposed during the year recognised in income statement for the year	**(17)**	**–**	**(17)**
Share of other comprehensive income of associated companies for the year	**2,520**	**–**	**2,520**
Share of other comprehensive income of jointly controlled entities for the year	**1,841**	**–**	**1,841**
	(1,156)	**(140)**	**(1,296)**

	2009		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
	HK$ millions	HK$ millions	HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	417	(33)	384
Valuation gains previously in reserves recognised in income statement for the year	(198)	–	(198)
Net actuarial gains of defined benefit plans	31	183	214
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised directly in reserves	1	–	1
Losses previously in reserves recognised in initial cost of non-financial items for the year	4	–	4
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	11,170	–	11,170
Gains on repayment of foreign currency loans from a jointly controlled entity previously in reserves recognised in income statement for the year	(930)	–	(930)
Gains previously in reserves related to subsidiaries disposed during the year recognised in income statement for the year	(1,909)	–	(1,909)
Others	7	(1)	6
Share of other comprehensive income of associated companies for the year	6,665	–	6,665
Share of other comprehensive income of jointly controlled entities for the year	1,547	–	1,547
	16,805	149	16,954

13 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2009	48,019	135,417	110,205	293,641
Additions	3,113	5,828	10,105	19,046
Disposals	(247)	(6,394)	(1,897)	(8,538)
Relating to subsidiaries acquired	–	–	94	94
Relating to subsidiaries disposed of	(108)	(19,399)	(4,807)	(24,314)
Revaluation upon transfer to investment properties	6	–	–	6
Transfer to other assets	(38)	(160)	(88)	(286)
Transfer between categories / investment properties / leasehold land	(472)	4,178	(3,799)	(93)
Exchange translation differences	720	6,438	3,077	10,235
At 1 January 2010	**50,993**	**125,908**	**112,890**	**289,791**
Additions	**3,396**	**3,321**	**14,872**	**21,589**
Disposals	**(81)**	**(8,794)**	**(6,872)**	**(15,747)**
Relating to subsidiaries disposed of	**(1)**	**–**	**(151)**	**(152)**
Write off for the year [(a)]	**–**	**(4,959)**	**(565)**	**(5,524)**
Transfer from other assets	**44**	**–**	**45**	**89**
Transfer between categories / investment properties / leasehold land	**(193)**	**8,932**	**(8,380)**	**359**
Exchange translation differences	**(264)**	**(4,342)**	**(3,705)**	**(8,311)**
At 31 December 2010	**53,894**	**120,066**	**108,134**	**282,094**
Accumulated depreciation and impairment				
At 1 January 2009	10,873	43,164	61,461	115,498
Charge for the year	1,105	6,795	5,924	13,824
Disposals	(232)	(5,837)	(1,684)	(7,753)
Relating to subsidiaries disposed of	(78)	(9,853)	(2,111)	(12,042)
Transfer between categories / investment properties / leasehold land	(320)	38	261	(21)
Exchange translation differences	229	2,284	1,580	4,093
At 1 January 2010	**11,577**	**36,591**	**65,431**	**113,599**
Charge for the year	**1,209**	**6,138**	**5,746**	**13,093**
Disposals	**(51)**	**(1,706)**	**(4,583)**	**(6,340)**
Relating to subsidiaries disposed of	**–**	**–**	**(150)**	**(150)**
Write off for the year [(a)]	**–**	**(2,733)**	**(424)**	**(3,157)**
Transfer from (to) other assets	**5**	**–**	**(35)**	**(30)**
Transfer between categories / investment properties / leasehold land	**22**	**122**	**166**	**310**
Exchange translation differences	**(126)**	**(446)**	**(2,510)**	**(3,082)**
At 31 December 2010	**12,636**	**37,966**	**63,641**	**114,243**
Net book value				
At 31 December 2010	**41,258**	**82,100**	**44,493**	**167,851**
At 31 December 2009	39,416	89,317	47,459	176,192
At 1 January 2009	37,146	92,253	48,744	178,143

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

13 Fixed assets (continued)

Land and buildings include projects under development in the amount of HK$5,228 million (2009 – HK$5,983 million).

Cost and net book value of fixed assets include HK$120,868 million (2009 – HK$135,425 million) and HK$77,227 million (2009 – HK$88,673 million) respectively, relating to **3** Group. Impairment tests were undertaken at 31 December 2010 and 31 December 2009 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2010 and 31 December 2009 indicated that no impairment charge was necessary.

14 Investment properties

	2010 HK$ millions	2009 HK$ millions
Valuation		
At 1 January	**42,323**	41,282
Additions	**94**	6
Disposals	**(65)**	(141)
Relating to subsidiaries disposed of	**(4)**	–
Change in fair value of investment properties	**855**	1,117
Transfer from fixed assets and leasehold land	**2**	32
Exchange translation differences	**35**	27
At 31 December	**43,240**	42,323

Investment properties have been fair valued as at 31 December 2010 and 31 December 2009 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2010 HK$ millions	2009 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**17,037**	16,772
Medium leasehold (less than 50 years but not less than 10 years)	**25,032**	24,406
Outside Hong Kong		
Freehold	**210**	210
Medium leasehold	**961**	935
	43,240	42,323

14 Investment properties (continued)

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

	2010 HK$ millions	2009 HK$ millions
Within 1 year	**2,697**	2,560
After 1 year, but within 5 years	**2,559**	2,394
After 5 years	**94**	15

15 Leasehold land

	2010 HK$ millions	2009 HK$ millions
Net book value		
At 1 January	**29,191**	29,848
Additions	**54**	30
Disposals	**–**	(15)
Relating to subsidiaries disposed of	**–**	(9)
Revaluation upon transfer to investment properties	**–**	1
Amortisation for the year	**(912)**	(898)
Transfer to investment properties	**–**	(18)
Transfer from (to) fixed assets	**(51)**	58
Exchange translation differences	**(721)**	194
At 31 December	**27,561**	29,191

The Group's leasehold land comprises:

	2010 HK$ millions	2009 HK$ millions
Hong Kong		
Medium leasehold	**9,119**	9,364
Outside Hong Kong		
Long leasehold	**1,007**	1,088
Medium leasehold	**17,435**	18,727
Short leasehold (less than 10 years)	**–**	12
	27,561	29,191

16 Telecommunications licences

	2010 HK$ millions	2009 HK$ millions
Net book value		
At 1 January	**70,750**	72,175
Additions	**146**	–
Non-cash addition (see note 5(f))	**1,489**	–
Relating to subsidiaries disposed of	**–**	(4,810)
Amortisation for the year	**(390)**	(633)
Exchange translation differences	**(3,662)**	4,018
At 31 December	**68,333**	70,750
Cost	**94,743**	97,955
Accumulated amortisation and impairment	**(26,410)**	(27,205)
	68,333	70,750

The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is €2,650 million and £3,127 million, respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2010 and 31 December 2009. Note 3(a) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2010 and 31 December 2009 indicated no impairment charge was necessary.

17 Goodwill

	2010 HK$ millions	2009 HK$ millions
Cost		
At 1 January	**28,858**	30,436
Relating to subsidiaries acquired	**–**	605
Relating to increase in interests in subsidiaries	**–**	85
Relating to subsidiaries disposed of	**–**	(3,251)
Exchange translation differences	**(1,526)**	983
At 31 December	**27,332**	28,858

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2009 – €645 million), Kruidvat of €600 million (2009 – €600 million), The Perfume Shop of £140 million (2009 – £140 million), Superdrug of £78 million (2009 – £78 million), **3** Italia of €275 million (2009 – €275 million), Hutchison Telecommunications Hong Kong Holdings of HK$3,754 million (2009 – HK$3,754 million) and Hutchison Asia Telecommunications of HK$1,582 million (2009 – HK$1,527 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2010 and 31 December 2009. Note 3(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2010 and 31 December 2009 indicated no impairment charge was necessary.

18 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2010	**2,093**	**5,258**	**7,351**
Additions	**–**	**461**	**461**
Non-cash addition (see note 5(f))	**–**	**6,010**	**6,010**
Transfer from (to) other assets	**1**	**(33)**	**(32)**
Amortisation for the year	**(12)**	**(525)**	**(537)**
Write off for the year	**–**	**(2)**	**(2)**
Exchange translation differences	**(132)**	**(254)**	**(386)**
At 31 December 2010	**1,950**	**10,915**	**12,865**
Cost	**1,981**	**17,059**	**19,040**
Accumulated amortisation	**(31)**	**(6,144)**	**(6,175)**
	1,950	**10,915**	**12,865**

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2009	2,050	8,436	10,486
Additions	–	494	494
Transfer from other assets	–	11	11
Amortisation for the year	(11)	(892)	(903)
Write off for the year	–	(53)	(53)
Relating to subsidiaries disposed of	–	(2,866)	(2,866)
Exchange translation differences	54	128	182
At 31 December 2009	2,093	5,258	7,351
Cost	2,112	11,377	13,489
Accumulated amortisation	(19)	(6,119)	(6,138)
	2,093	5,258	7,351

The brand names as at 31 December 2010 primarily resulted from the acquisitions of Marionnaud and The Perfume Shop in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2010 and 31 December 2009 and the results of the tests indicated no impairment charge was necessary.

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

19 Associated companies

	31 December 2010 HK$ millions	31 December 2009 HK$ millions	1 January 2009 HK$ millions
Unlisted shares	**18,947**	8,665	8,358
Listed shares, Hong Kong	**9,512**	9,512	9,512
Listed shares, outside Hong Kong	**13,021**	10,341	10,341
Share of undistributed post acquisition reserves	**49,649**	46,010	39,192
	91,129	74,528	67,403
Amounts due from associated companies	**14,399**	9,188	8,642
	105,528	83,716	76,045

The market value of the above listed investments at 31 December 2010 was HK$103,714 million (2009 – HK$100,050 million).

Particulars regarding the principal associated companies are set forth on pages 217 to 222.

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

	2010 HK$ millions	2009 HK$ millions
Revenue	**243,878**	207,034
Profit after tax	**15,502**	10,167
Non-current assets	**575,273**	446,048
Current assets	**73,732**	63,779
Total assets	**649,005**	509,827
Non-current liabilities	**268,509**	181,806
Current liabilities	**118,208**	90,482
Total liabilities	**386,717**	272,288

19 Associated companies (continued)

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

	2010 HK$ millions	2009 HK$ millions
Revenue	**62,282**	48,836
Expense	**(42,860)**	(31,663)
EBITDA [(a)]	**19,422**	17,173
Depreciation and amortisation	**(8,507)**	(7,909)
Change in fair value of investment properties	**10**	5
EBIT [(b)]	**10,925**	9,269
Interest and other finance costs	**(2,562)**	(2,484)
Current tax	**(1,296)**	(3,542)
Deferred tax	**(600)**	2,147
Non-controlling interests	**2**	–
Profit after tax	**6,469**	5,390

(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 other earnings of a cash nature but excludes change in fair value of investment properties.

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

20 Interests in joint ventures

	2010 HK$ millions	2009 HK$ millions
Jointly controlled entities		
Unlisted shares	**43,456**	41,935
Share of undistributed post acquisition reserves	**4,815**	(1,923)
	48,271	40,012
Amounts due from jointly controlled entities	**5,761**	11,556
	54,032	51,568

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

Particulars regarding the principal jointly controlled entities are set forth on pages 217 to 222.

20 Interests in joint ventures (continued)

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

	2010 HK$ millions	2009 HK$ millions
Revenue	**117,704**	90,691
Profit after tax	**27,989**	9,156
Non-current assets	**111,363**	151,887
Current assets	**112,753**	71,946
Total assets	**224,116**	223,833
Non-current liabilities	**70,454**	69,509
Current liabilities	**62,787**	71,585
Total liabilities	**133,241**	141,094

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

	2010 HK$ millions	2009 HK$ millions
Revenue	**54,460**	42,905
Expense	**(40,612)**	(34,431)
EBITDA [(a)]	**13,848**	8,474
Depreciation and amortisation	**(3,313)**	(2,207)
Change in fair value of investment properties	**3,333**	541
EBIT [(b)]	**13,868**	6,808
Interest and other finance costs	**(1,268)**	(928)
Current tax	**(1,719)**	(1,323)
Deferred tax	**(1,499)**	(880)
Profit after tax	**9,382**	3,677
Capital commitments	**248**	977

(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 other earnings of a cash nature but excludes change in fair value of investment properties.

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

21 Deferred tax

	2010 HK$ millions	2009 HK$ millions
Deferred tax assets	**14,105**	14,657
Deferred tax liabilities	**14,290**	13,355
Net deferred tax assets (liabilities)	**(185)**	1,302

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

	2010 HK$ millions	2009 HK$ millions
At 1 January	**1,302**	(368)
Relating to subsidiaries acquired	**–**	(2)
Relating to subsidiaries disposed of	**5**	506
Transfer from (to) current tax	**(236)**	158
Net credit (charge) to other comprehensive income	**(140)**	149
Net credit (charge) to the income statement		
Unused tax losses	**(168)**	246
Accelerated depreciation allowances	**(327)**	(349)
Fair value adjustments arising from acquisitions	**162**	325
Revaluation of investment properties and other investments	**(135)**	(181)
Withholding tax on undistributed earnings	**47**	(152)
Other temporary differences	**(426)**	203
Exchange translation differences	**(269)**	767
At 31 December	**(185)**	1,302

Analysis of net deferred tax assets (liabilities):

	2010 HK$ millions	2009 HK$ millions
Unused tax losses	**15,290**	16,034
Accelerated depreciation allowances	**(4,515)**	(4,121)
Fair value adjustments arising from acquisitions	**(4,708)**	(4,874)
Revaluation of investment properties and other investments	**(4,635)**	(4,486)
Withholding tax on undistributed earnings	**(305)**	(361)
Other temporary differences	**(1,312)**	(890)
	(185)	1,302

During the year, no deferred tax asset has been recognised for the losses of **3** Group (2009 – nil).

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

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

21 Deferred tax (continued)

At 31 December 2010, the Group has recognised accumulated deferred tax assets amounting to HK$14,105 million (2009 – HK$14,657 million) of which HK$12,748 million (2009 – HK$13,054 million) relates to **3** Group.

Note 3(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$33,551 million at 31 December 2010 (2009 – HK$37,033 million). Unrecognised tax losses of HK$85,999 million (2009 – HK$84,004 million) can be carried forward indefinitely. The remaining HK$44,873 million (2009 – HK$62,341 million) expires in the following years:

	2010 **HK$ millions**	2009 HK$ millions
In the first year	**9,221**	21,179
In the second year	**13,562**	8,565
In the third year	**13,598**	11,228
In the fourth year	**2,734**	11,734
In the fifth to tenth years inclusive	**5,758**	9,635
	44,873	62,341

22 Other non-current assets

	2010 **HK$ millions**	2009 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**990**	1,391
Other receivables	**3,876**	–
	4,866	1,391
Available-for-sale investments		
Unlisted equity securities	**1,175**	1,334
Fair value hedges (see note 28(a))		
Interest rate swaps	**1,776**	2,561
Cross currency interest rate swaps	**1,105**	–
Cash flow hedges (see note 28(a))		
Interest rate swaps	**15**	–
Forward foreign exchange contracts	**194**	–
	9,131	5,286

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 2010 is 2.0% (2009 – 1.9%).

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

23 Liquid funds and other listed investments

	2010 HK$ millions	2009 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**14,505**	14,404
Listed / traded debt securities, outside Hong Kong	**3,036**	2,962
Listed equity securities, Hong Kong	**913**	407
Listed equity securities, outside Hong Kong	**5,262**	4,781
	23,716	22,554
Loans and receivables		
Long term deposits	**36**	54
Financial assets at fair value through profit or loss	**833**	605
	24,585	23,213

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

	2010 HK$ millions	2009 HK$ millions
Listed debt securities	**14,281**	14,138
Cash and cash equivalents	**224**	266
	14,505	14,404

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

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2010 was HK$24,549 million (2009 – HK$23,159 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 2010 was 4.1% (2009 – 5.0%).

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

	2010			2009		
	Available-for-sale investments Percentage	**Loans and receivables Percentage**	**Financial assets at fair value through profit or loss Percentage**	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	**4%**	**–**	**–**	2%	–	–
US dollars	**76%**	**–**	**79%**	79%	–	69%
Others	**20%**	**100%**	**21%**	19%	100%	31%
	100%	**100%**	**100%**	100%	100%	100%

23 Liquid funds and other listed investments (continued)

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

	2010 Percentage	2009 Percentage
Credit ratings		
Aaa/AAA	**77%**	78%
Aa1/AA+	**5%**	4%
Aa3/AA-	**–**	1%
Other investment grades	**5%**	5%
Unrated	**13%**	12%
	100%	100%
Sectorial		
Supranational notes	**17%**	38%
Government guaranteed notes	**47%**	32%
Government related entities issued notes	**7%**	12%
US Treasury notes	**12%**	1%
Husky Energy issued notes	**5%**	5%
Others	**12%**	12%
	100%	100%
Weighted average maturity	**1.1 years**	1.3 years
Weighted average effective yield	**1.42%**	2.19%

24 Cash and cash equivalents

	2010 HK$ millions	2009 HK$ millions
Cash at bank and in hand	**29,690**	23,472
Short term bank deposits	**61,962**	69,049
	91,652	92,521

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

25 Trade and other receivables

	2010 HK$ millions	2009 HK$ millions
Trade receivables [(a)]	**30,484**	29,081
Less: provision for estimated impairment losses for bad debts [(b)]	**(5,563)**	(5,852)
Trade receivables – net	**24,921**	23,229
Other receivables and prepayments	**32,112**	24,481
Cash flow hedges (see note 28(a))		
Forward foreign exchange contracts	**196**	436
	57,229	48,146

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

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

The Group's five largest customers contributed less than 6% of the Group's turnover for the years ended 31 December 2010 and 2009.

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

	2010 HK$ millions	2009 HK$ millions
Less than 31 days	**12,629**	11,147
Within 31 to 60 days	**2,191**	1,982
Within 61 to 90 days	**841**	826
Over 90 days	**14,823**	15,126
	30,484	29,081

25 Trade and other receivables (continued)

(b) As at 31 December 2010, out of the trade receivables of HK$30,484 million (2009 – HK$29,081 million), HK$15,593 million (2009 – HK$13,356 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$5,563 million (2009 – HK$5,852 million). The ageing analysis of these trade receivables is as follows:

	2010 **HK$ millions**	2009 HK$ millions
Not past due	**5,353**	3,096
Past due less than 31 days	**2,000**	1,079
Past due within 31 to 60 days	**468**	655
Past due within 61 to 90 days	**696**	459
Past due over 90 days	**7,076**	8,067
	15,593	13,356

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

	2010 **HK$ millions**	2009 HK$ millions
At 1 January	**5,852**	5,281
Additions	**842**	1,491
Utilisations	**(729)**	(663)
Write back	**(131)**	(137)
Relating to subsidiaries disposed of	**(12)**	(592)
Exchange translation differences	**(259)**	472
At 31 December	**5,563**	5,852

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

	2010 **HK$ millions**	2009 HK$ millions
Not past due	**4,685**	6,214
Past due less than 31 days	**2,304**	2,222
Past due within 31 to 60 days	**554**	560
Past due within 61 to 90 days	**354**	89
Past due over 90 days	**6,994**	6,640
	14,891	15,725

26 Trade and other payables

	2010 HK$ millions	2009 HK$ millions
Trade payables	**22,460**	18,409
Other payables and accruals	**54,429**	50,108
Provisions (see note 27)	**1,613**	2,378
Interest free loans from non-controlling shareholders	**2,327**	2,099
Cash flow hedges (see note 28(a))		
Interest rate swaps	**–**	20
Cross currency interest rate swaps	**–**	5
Forward foreign exchange contracts	**60**	10
	80,889	73,029

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

	2010 HK$ millions	2009 HK$ millions
Less than 31 days	**13,842**	8,828
Within 31 to 60 days	**2,145**	2,701
Within 61 to 90 days	**863**	964
Over 90 days	**5,610**	5,916
	22,460	18,409

The Group's five largest suppliers accounted for less than 22% of the Group's cost of purchases for the years ended 31 December 2010 and 2009.

27 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2009	2,689	998	1,019	4,706
Additions	533	157	647	1,337
Interest accretion	26	(1)	–	25
Utilisations	(1,612)	(1)	(454)	(2,067)
Write back	(14)	(11)	(409)	(434)
Transfer to other assets/liabilities	(235)	(160)	–	(395)
Relating to subsidiaries disposed of	(28)	(55)	(15)	(98)
Exchange translation differences	168	36	8	212
At 1 January 2010	**1,527**	**963**	**796**	**3,286**
Additions	**226**	**112**	**255**	**593**
Interest accretion	**31**	**42**	**–**	**73**
Utilisations	**(675)**	**(5)**	**(136)**	**(816)**
Write back	**(23)**	**(168)**	**(28)**	**(219)**
Transfer to other assets/liabilities	**(26)**	**–**	**–**	**(26)**
Exchange translation differences	**(64)**	**(44)**	**(320)**	**(428)**
At 31 December 2010	**996**	**900**	**567**	**2,463**

Provisions are analysed as:

	2010 HK$ millions	2009 HK$ millions
Current portion (see note 26)	**1,613**	2,378
Non-current portion (see note 31)	**850**	908
	2,463	3,286

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

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

28 Bank and other debts

As disclosed in note 2(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:

	2010			2009		
	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	14,357	83,432	97,789	8,688	88,576	97,264
Other loans	188	441	629	526	426	952
Notes and bonds	8,580	140,364	148,944	8,310	152,563	160,873
Total principal amount of bank and other debts	23,125	224,237	247,362	17,524	241,565	259,089
Unamortised loan facilities fees and premiums or discounts related to debts	(3)	1,016	1,013	65	(793)	(728)
Unrealised gain on bank and other debts pursuant to interest rate swap contracts [(a)]	–	2,881	2,881	–	2,079	2,079
	23,122	228,134	251,256	17,589	242,851	260,440

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2010			2009		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Repayable within 5 years	**14,355**	**83,413**	**97,768**	8,686	84,816	93,502
Not wholly repayable within 5 years	**2**	**19**	**21**	2	3,760	3,762
	14,357	**83,432**	**97,789**	8,688	88,576	97,264
Other loans						
Repayable within 5 years	**169**	**84**	**253**	493	105	598
Not wholly repayable within 5 years	**19**	**357**	**376**	33	321	354
	188	**441**	**629**	526	426	952
Notes and bonds						
US$1,065 million notes, 5.45% due 2010	**–**	**–**	**–**	8,310	–	8,310
US$1,100 million (2009 – US$1,167 million) notes, 7% due 2011	**8,580**	**–**	**8,580**	–	9,104	9,104
US$3,146 million notes, 6.5% due 2013	**–**	**24,542**	**24,542**	–	24,542	24,542
US$1,309 million notes, 6.25% due 2014	**–**	**10,206**	**10,206**	–	10,206	10,206
US$2,189 million notes, 4.625% due 2015	**–**	**17,077**	**17,077**	–	17,077	17,077
US$500 million notes-Series B, 7.45% due 2017	**–**	**3,900**	**3,900**	–	3,900	3,900
US$1,000 million notes, 5.75% due 2019	**–**	**7,800**	**7,800**	–	7,800	7,800
US$1,500 million notes, 7.625% due 2019	**–**	**11,700**	**11,700**	–	11,700	11,700
US$329 million notes-Series C, 7.5% due 2027	**–**	**2,565**	**2,565**	–	2,565	2,565
US$25 million notes-Series D, 6.988% due 2037	**–**	**196**	**196**	–	196	196
US$1,144 million notes, 7.45% due 2033	**–**	**8,926**	**8,926**	–	8,926	8,926
EUR1,000 million notes, 5.875% due 2013	**–**	**10,360**	**10,360**	–	11,080	11,080
EUR603 million notes, 4.125% due 2015	**–**	**6,245**	**6,245**	–	6,679	6,679
EUR669 million notes, 4.625% due 2016	**–**	**6,932**	**6,932**	–	7,414	7,414
EUR1,750 million notes, 4.75% due 2016	**–**	**18,130**	**18,130**	–	19,390	19,390
GBP325 million bonds, 6.75% due 2015	**–**	**3,907**	**3,907**	–	4,046	4,046
GBP113 million (2009 – GBP116 million) bonds, 5.625% due 2017	**–**	**1,359**	**1,359**	–	1,445	1,445
GBP303 million (2009 – GBP309 million) bonds, 5.625% due 2026	**–**	**3,641**	**3,641**	–	3,847	3,847
JPY30,000 million notes, 3.5% due 2032	**–**	**2,878**	**2,878**	–	2,646	2,646
	8,580	**140,364**	**148,944**	8,310	152,563	160,873
	23,125	**224,237**	**247,362**	17,524	241,565	259,089

28 Bank and other debts (continued)

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

	2010			2009		
	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	14,357	–	14,357	8,688	–	8,688
After 1 year, but within 2 years	–	21,853	21,853	–	31,992	31,992
After 2 years, but within 5 years	–	61,561	61,561	–	52,826	52,826
After 5 years	–	18	18	–	3,758	3,758
	14,357	83,432	97,789	8,688	88,576	97,264
Other loans						
Current portion	188	–	188	526	–	526
After 1 year, but within 2 years	–	56	56	–	124	124
After 2 years, but within 5 years	–	135	135	–	128	128
After 5 years	–	250	250	–	174	174
	188	441	629	526	426	952
Notes and bonds						
Current portion	8,580	–	8,580	8,310	–	8,310
After 1 year, but within 2 years	–	–	–	–	9,104	9,104
After 2 years, but within 5 years	–	72,337	72,337	–	45,828	45,828
After 5 years	–	68,027	68,027	–	97,631	97,631
	8,580	140,364	148,944	8,310	152,563	160,873
	23,125	224,237	247,362	17,524	241,565	259,089

The bank and other debts of the Group as at 31 December 2010 are secured to the extent of HK$952 million (2009 - HK$2,285 million), all relating to the established businesses.

Borrowings with principal amount of HK$97,777 million (2009 - HK$97,232 million) bear interest at floating interest rates and borrowings with principal amount of HK$149,585 million (2009 - HK$161,857 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

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

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$ millions	HK$ millions	**HK$ millions**	HK$ millions
Bank loans	**97,395**	96,930	**97,395**	96,925
Other loans	**571**	952	**568**	949
Notes and bonds	**153,290**	162,558	**161,699**	169,345
	251,256	260,440	**259,662**	267,219

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):

	2010	2009
	Percentage	Percentage
HK dollars	**31%**	30%
US dollars	**29%**	31%
Euro	**28%**	28%
British pounds	**5%**	5%
Other currencies	**7%**	6%
	100%	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. As disclosed in note 2(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 2010, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$71,300 million (2009 - HK$97,813 million).

In addition, interest rate swap agreements with notional amount of HK$4,270 million (2009 - HK$3,806 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2010, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2009 - HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match currency exposures of the underlying businesses.

28 Bank and other debts (continued)

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

	2010			2009		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	**–**	**1,776**	**1,776**	–	2,561	2,561
Cross currency interest rate swaps (see note 22)	**–**	**1,105**	**1,105**	–	–	–
	–	**2,881**	**2,881**	–	2,561	2,561
Derivative financial liabilities						
Interest rate swaps (see note 31)	**–**	**–**	**–**	–	(152)	(152)
Cross currency interest rate swaps (see note 31)	**–**	**–**	**–**	–	(330)	(330)
	–	**–**	**–**	–	(482)	(482)
	–	**2,881**	**2,881**	–	2,079	2,079
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 22)	**–**	**15**	**15**	–	–	–
Forward foreign exchange contracts (see notes 22 and 25)	**196**	**194**	**390**	436	–	436
	196	**209**	**405**	436	–	436
Derivative financial liabilities						
Interest rate swaps (see notes 26 and 31)	**–**	**(2)**	**(2)**	(20)	–	(20)
Cross currency interest rate swaps (see note 26)	**–**	**–**	**–**	(5)	–	(5)
Forward foreign exchange contracts (see note 26)	**(60)**	**–**	**(60)**	(10)	–	(10)
	(60)	**(2)**	**(62)**	(35)	–	(35)
	136	**207**	**343**	401	–	401

29 Interest bearing loans from non-controlling shareholders

	2010 HK$ millions	2009 HK$ millions
Interest bearing loans from non-controlling shareholders	**13,493**	13,424

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	2010 HK$ millions	2009 HK$ millions
Defined benefit plans		
Pension assets	–	–
Pension obligations	**1,702**	2,436
	1,702	2,436

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

(a) Defined benefit plans

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

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2010 and 31 December 2009 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:

	2010	2009
Discount rate applied to defined benefit plan obligations	**2.20% - 17.00%**	2.20% – 6.00%
Expected return on plan assets	**3.50% - 14.50%**	4.30% – 8.48%
Future salary increases	**0.29% - 9.00%**	1.28% – 5.50%
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 statement of financial position is determined as follows:

	2010 HK$ millions	2009 HK$ millions
Present value of defined benefit obligations	**13,635**	13,985
Fair value of plan assets	**12,375**	11,574
	1,260	2,411
Unrecognised past services costs	**(32)**	(35)
Restrictions on asset recognised	**474**	60
Net defined benefit plan obligations	**1,702**	2,436

Fair value of plan assets of HK$12,375 million (2009 - HK$11,574 million) includes investments in the Company's shares with a fair value of HK$56 million (2009 - HK$39 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2010 HK$ millions	2009 HK$ millions
At 1 January	**13,985**	11,452
Current service cost net of employee contributions	**531**	561
Actual employee contributions	**113**	128
Interest cost	**603**	574
Actuarial losses (gains) on obligations	**(373)**	1,454
Gains on curtailments and settlements	**(105)**	(41)
Relating to subsidiaries disposed of	**–**	(330)
Transfer to other liabilities	**(11)**	(13)
Actual benefits paid	**(608)**	(772)
Exchange translation differences	**(500)**	972
At 31 December	**13,635**	13,985

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

	2010 HK$ millions	2009 HK$ millions
At 1 January	**11,574**	8,981
Expected return on plan assets	**718**	635
Actuarial gains on plan assets	**536**	1,426
Actual company contributions	**623**	721
Actual employee contributions	**113**	128
Relating to subsidiaries disposed of	**–**	(233)
Actual benefits paid	**(608)**	(772)
Exchange translation differences	**(581)**	688
At 31 December	**12,375**	11,574

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	2010 HK$ millions	2009 HK$ millions
Current service cost	**531**	561
Past service cost	**30**	8
Interest cost	**603**	574
Gains on curtailments and settlements	**(105)**	(41)
Expected return on plan assets	**(718)**	(635)
Total expense	**341**	467
Less: expense capitalised	**(2)**	(1)
Total, included in staff costs	**339**	466

The actual return on plan assets was HK$1,254 million (2009 - HK$2,061 million).

The actuarial gains recognised in other comprehensive income in current year was HK$463 million (2009 - HK$31 million). The cumulative actuarial losses recognised in other comprehensive income amounted to HK$1,421 million (2009 - HK$1,823 million).

Fair value of the plan assets are analysed as follows:

	2010 Percentage	2009 Percentage
Equity instruments	**51%**	47%
Debt instruments	**42%**	46%
Other assets	**7%**	7%
	100%	100%

The experience adjustments are as follows:

	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions	2006 HK$ millions
Present value of defined benefit obligations	**13,635**	13,985	11,452	13,151	12,659
Fair value of plan assets	**12,375**	11,574	8,981	12,175	10,228
Deficit	**1,260**	2,411	2,471	976	2,431
Experience adjustments on defined benefit obligations	**(249)**	(82)	502	(13)	(18)
Experience adjustments on plan assets	**413**	729	(2,253)	648	561

30 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2010. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2009 reported a funding level of 99.8% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited (formerly known as 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 2010 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$18 million (2009 - HK$19 million) were used to reduce the current year's level of contributions and HK$1 million was available at 31 December 2010 (2009 - HK$2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2007, the ratio of assets to liabilities for the Felixstowe Scheme was 72%. The sponsoring employer's contributions were 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 Towers Watson Limited. A new valuation has been commissioned in January 2010.

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 2010, the combination of the interest rate and a high risk spread result in a relatively low defined benefit obligation. The net assets are temporarily higher than the defined benefit obligation and hence in accordance with applicable accounting standards, a net asset reduction was applied.

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

30 Pension plans (continued)

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$786 million (2009 - HK$792 million). No forfeited contributions (2009 - nil) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2010 (2009 - nil) to reduce future years' contributions.

31 Other non-current liabilities

	2010 HK$ millions	2009 HK$ millions
Fair value hedges (see note 28(a))		
Interest rate swaps	**–**	152
Cross currency interest rate swaps	**–**	330
Cash flow hedges (see note 28(a))		
Interest rate swaps	**2**	–
Obligations for telecommunications licences and other rights	**3,093**	3,130
Provisions (see note 27)	**850**	908
	3,945	4,520

32 Share capital and capital management

(a) Share capital

	2010 Number of shares	2009 Number of shares	**2010 HK$ millions**	2009 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

32 Share capital and capital management (continued)

(b) Perpetual capital securities

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

(c) Capital management

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

At 31 December 2010, total equity amounted to HK$352,702 million (2009 - HK$319,912 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$131,125 million (2009 - HK$143,355 million). The Group's net debt to net total capital ratio decreased to 26.2% from 29.9% 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 non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

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

	2010	2009
A1 – excluding loans from non-controlling shareholders from debt	**26.2%**	29.9%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**23.5%**	27.6%
B1 – including loans from non-controlling shareholders as debt	**28.9%**	32.7%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**25.9%**	30.2%

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

33 Notes to consolidated statement of cash flows

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

	2010 HK$ millions	2009 HK$ millions
Profit after tax	**25,580**	21,200
Adjustments for:		
Current tax charge	**2,493**	4,588
Deferred tax charge (credit)	**847**	(92)
Interest and other finance costs	**8,476**	9,613
Change in fair value of investment properties	**(855)**	(1,117)
Depreciation and amortisation	**14,932**	16,258
Non-cash items (see note 33(e))	**(3,757)**	(3,641)
Share of associated companies' and jointly controlled entities'		
Non-controlling interests	**(2)**	–
Current tax charge	**3,015**	4,865
Deferred tax charge (credit)	**2,099**	(1,267)
Interest and other finance costs	**3,830**	3,412
Change in fair value of investment properties	**(3,343)**	(546)
Depreciation and amortisation	**11,820**	10,116
EBITDA [a]	**65,135**	63,389
Telecommunications CACs	**16,013**	16,544
Share of jointly controlled entity's telecommunications CACs	**4,327**	2,456
EBITDA before telecommunications CACs	**85,475**	82,389
Share of EBITDA of associated companies and jointly controlled entities	**(37,597)**	(28,103)
Profit on disposal of unlisted investments	**(236)**	(41)
Profit on disposal of fixed assets, leasehold land and investment properties	**(549)**	(592)
Dividends received from associated companies and jointly controlled entities	**9,944**	7,469
Distribution from property jointly controlled entities	**2,198**	208
Profit on disposal of subsidiary companies and jointly controlled entities	**(24)**	(8,166)
Valuation gains on transfer of an available-for-sale investment to investment in associated company (see note 1(b))	**(550)**	–
Other non-cash items	**614**	(103)
	59,275	53,061

a 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 other earnings of a cash nature but excludes change in 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 flows as determined in accordance with generally accepted accounting principles in Hong Kong.

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2010 HK$ millions	2009 HK$ millions
Decrease (increase) in inventories	**(1,901)**	1,619
Decrease (increase) in debtors and prepayments	**(10,793)**	355
Increase (decrease) in creditors	**7,494**	(8,702)
Other non-cash items	**2,185**	2,214
	(3,015)	(4,514)

(c) Purchase of subsidiary companies

	2010 Book / Fair value HK$ millions	2009 Fair value HK$ millions
Aggregate net assets acquired at acquisition date:		
Fixed assets	–	94
Inventories	–	178
Cash and cash equivalents	–	23
Trade and other receivables	–	80
Bank and other debts	–	(119)
Creditors and current tax liabilities	–	(267)
Deferred tax liabilities	–	(2)
Non-controlling interests	–	1
	–	(12)
Goodwill arising on acquisition	–	605
	–	593
Less: Cost of investments just prior to purchase	–	(444)
Discharged by cash payment	–	149
Net cash outflow (inflow) arising from acquisition:		
Cash payment	–	149
Cash and cash equivalents acquired	–	(23)
Total net cash consideration	–	126

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

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2010 HK$ millions	2009 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**2**	12,272
Investment properties	**4**	–
Leasehold land	**–**	9
Telecommunications licences	**–**	4,810
Brand name and other rights	**–**	2,866
Goodwill	**–**	3,251
Associated companies	**–**	655
Interests in joint ventures	**–**	5,159
Other non-current assets	**–**	19
Inventories	**–**	704
Trade and other receivables	**12**	6,516
Bank and other debts	**–**	(4,284)
Pension obligations	**–**	(97)
Other non-current liabilities	**–**	(98)
Creditors and current tax liabilities	**(82)**	(3,678)
Deferred tax liabilities	**(5)**	(506)
Non-controlling interests	**(12)**	(4,367)
Loans from non-controlling shareholders	**–**	(9)
Reserves	**(12)**	(1,126)
	(93)	22,096
Profit on disposal	**24**	12,008
	(69)	34,104
Less: Investments retained subsequent to disposal	**–**	(18,212)
	(69)	15,892
Satisfied by:		
Cash and cash equivalents received as consideration	**3**	16,121
Less: Cash and cash equivalents sold	**(72)**	(229)
Total net cash consideration	**(69)**	15,892

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2010.

(e) Included in the non-cash items in 2010 are a one-time net gain of HK$2,268 million arising from a revised **3** UK network sharing arrangement whereby **3** UK received the right of use of approximately 3,000 cell sites, free of acquisition and future operating costs, for a gain of HK$6,010 million, partially offset by one-time provisions of HK$3,742 million mainly related to the restructuring of **3** UK's network infrastructure, and a one-time HK$1,489 million gain with reference to the assignment of two blocks of 5MHz of 1,800MHz spectrum to **3** Italy. Included in the non-cash items in 2009 is a gain on merger of **3** Australia with Vodafone's Australian operations.

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 2010, assets of the Group totalling HK$963 million (2009 – HK$2,503 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2010, 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$5,805 million (2009 – HK$13,081 million).

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

	2010	2009
	HK$ millions	HK$ millions
To associated companies		
Other businesses	**2,258**	1,147
To jointly controlled entities		
Property businesses	**1,556**	1,609
Other businesses	**1,308**	9,771
	2,864	11,380

At 31 December 2010, the Group had provided performance and other guarantees of HK$3,159 million (2009 - HK$5,039 million) primarily for telecommunications businesses.

37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2010 are as follows:

Capital commitments

1. Contracted for:
   - i. Ports and related services - HK$7,637 million (2009 - HK$2,210 million)
   - ii. Telecommunications - **3** Group - HK$569 million (2009 - HK$1,198 million)
   - iii. Telecommunications - HK$643 million (2009 - HK$2,480 million)
   - iv. Investment properties, Hong Kong - HK$656 million (2009 - HK$4 million)
   - v. Investment in joint ventures outside Hong Kong - nil (2009 - HK$6 million)
   - vi. Other fixed assets - HK$133 million (2009 - HK$338 million)

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. Ports and related services, Hong Kong - nil (2009 - HK$61 million)
   - ii. Ports and related services, Mainland China - HK$692 million (2009 - HK$791 million)
   - iii. Ports and related services, others - HK$1,801 million (2009 - HK$1,898 million)
   - iv. Telecommunications - **3** Group - HK$5,693 million (2009 - HK$6,333 million)
   - v. Telecommunications - HK$4,302 million (2009 - HK$2,177 million)
   - vi. Investment properties, Hong Kong - HK$297 million (2009 - HK$2 million)
   - vii. Investment in joint ventures outside Hong Kong - HK$3,296 million (2009 - HK$3 million)
   - viii. Other fixed assets - HK$2,850 million (2009 - HK$1,273 million)

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

Established Businesses

1. In the first year - HK$8,096 million (2009 - HK$8,313 million)
2. In the second to fifth years inclusive - HK$18,957 million (2009 - HK$20,506 million)
3. After the fifth year - HK$32,717 million (2009 - HK$43,194 million)

Telecommunications – **3** Group

1. In the first year - HK$1,853 million (2009 - HK$2,526 million)
2. In the second to fifth years inclusive - HK$4,545 million (2009 - HK$6,672 million)
3. After the fifth year - HK$4,089 million (2009 - HK$5,901 million)

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

Established Businesses

1. In the first year - HK$1,248 million (2009 - HK$1,017 million)
2. In the second to fifth years inclusive - HK$4,417 million (2009 - HK$3,176 million)
3. After the fifth year - HK$4,747 million (2009 - HK$4,301 million)

Telecommunications – **3** Group

1. In the first year - HK$203 million (2009 - HK$28 million)
2. In the second to fifth years inclusive - HK$586 million (2009 - HK$12 million)

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$2,325 million (2009 – HK$4,081 million) are interest bearing. In addition, during 2009, the Group acquired traded debt securities outside Hong Kong with a principal amount of US$200 million notes issued by listed associated company, Husky Energy and sold certain of these notes with a principal amount of US$97 million. As disclosed in note 23, as at 31 December 2010 and 2009, principal amount totalling US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2010, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$27,301 million (2009 – HK$27,042 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$1,653 million (2009 – HK$1,759 million) for the benefit of these same entities.

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

39 Legal proceedings

As at 31 December 2010, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

40 Subsequent events

Subsequent to the year end, the Group completed an Initial Public Offer ("IPO") of units in Hutchison Port Holdings Trust ("HPH Trust") which was listed on the Main Board of the Singapore Stock Exchange on 18 March 2011. HPH Trust holds and operates the Group's interests in deep water container port businesses in the Pearl River Delta in Guangdong Province, including Hong Kong and Yantian ports. The Group currently retains a 27.6% interest in HPH Trust. The market capitalisation of HPH Trust at listing was approximately US$8,800 million (approximately HK$68,500 million) and the Group will report a gain on disposal of approximately US$5,650 million (approximately HK$44,000 million) in its 2011 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 2010, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 126 to 222 were approved by the Board of Directors on 29 March 2011.

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:

	2010 HK$ millions	2009 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**4,683**	4,337
Unlisted	**1,786**	1,053
	6,469	5,390
Share of gross rental income of associated companies and jointly controlled entities	**635**	614
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	**78**	80
Other subsidiaries (excluding HHR)	**3,314**	3,173
Less: intra group rental income	**(349)**	(346)
	3,043	2,907
Less: related outgoings	**(26)**	(37)
Net rental income of subsidiary companies	**3,017**	2,870
Dividend and interest income from managed funds and other investments		
Listed	**840**	1,049
Unlisted	**75**	149
Charges:		
Depreciation and amortisation		
Fixed assets	**13,093**	13,824
Leasehold land	**912**	898
Telecommunications licences	**390**	633
Brand names and other rights	**537**	903
	14,932	16,258
Inventories write off	**950**	1,221
Operating leases		
Properties	**14,604**	14,780
Hire of plant and machinery	**1,931**	1,624
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**177**	195
– other auditors	**15**	13
Non-audit work – PricewaterhouseCoopers	**28**	24
– other auditors	**22**	20

44 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of 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. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$116,237 million at 31 December 2010, an increase from HK$115,734 million at the end of 2009, mainly reflecting the higher cash flow from operations of both the established businesses and **3** Group, as well as the proceeds from the issuance of perpetual capital securities in 2010 of US$2,000 million and US$1,000 million by a wholly owned subsidiary of the Group and a listed subsidiary, Cheung Kong Infrastructure respectively, offset by the utilisation of cash for the acquisition of fixed assets, investments in the UK Power Assets businesses and the Group's 34.55% share of Husky Energy's C$1,000 million common share placement, dividend payments and payment of HK$4,199 million to non-controlling interest of Hutchison Telecommunications International ("HTIL") pursuant to the scheme to privatise HTIL. Liquid assets were denominated as to 9% in HK dollars, 46% in US dollars, 21% in Renminbi, 8% in Euro, 5% in British pounds and 11% in other currencies (2009 – 9% were denominated in HK dollars, 57% in US dollars, 13% in Renminbi, 6% in Euro, 4% in British pounds and 11% in other currencies).

Cash and cash equivalents represented 79% (2009 – 80%) of the liquid assets, US Treasury notes and listed / traded debt securities 15% (2009 – 15%), listed equity securities 5% (2009 – 4%) and long-term deposits and others 1% (2009 – 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of government guaranteed notes (47%) (2009 – 32%), supranational notes (17%) (2009 – 38%), US Treasury notes (12%) (2009 – 1%), government related entities issued notes (7%) (2009 – 12%), notes issued by the Group's associated company, Husky Energy (5%) (2009 – 5%), and others (12%) (2009 - 12%). Of these US Treasury notes and listed / traded debt securities, 77% (2009 – 78%) are rated at Aaa/AAA with an average maturity of 1.1 years on the overall portfolio. The Group has no exposure in mortgage backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

At 31 December 2010, approximately 40% (2009 – approximately 38%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 60% (2009 – approximately 62%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institutions counterparties to swap approximately HK$71,300 million (2009 – approximately HK$97,813 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$4,270 million (2009 – HK$3,806 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 67% (2009 – approximately 74%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 33% (2009 – approximately 26%) were at fixed rates at 31 December 2010.

(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 for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in 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 (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currencies hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of certain countries, notably the Euro and British pound, where the Group has overseas operations weakened against the Hong Kong dollar. This gave rise to an unrealised loss of HK$2,610 million (2009 – gain of HK$15,813 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of translation gains and losses of associated companies and jointly controlled entities. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2010, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million (2009 - HK$28,593 million) to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 31% in HK dollars, 29% in US dollars, 28% in Euro, 5% in British pounds and 7% in other currencies (2009 - 30% in HK dollars, 31% in US dollars, 28% in Euro, 5% in British pounds and 6% in other currencies).

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 20% (2009 - approximately 19%) of the liquid assets. The Group controls this risk through monitoring the price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses

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

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

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and/or cashflows 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 income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7.

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

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

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 end of the reporting period, with all other variables held constant:

- profit for the year would decrease by HK$1,366 million (2009 – HK$1,496 million) due to increase in interest expense;
- total equity would decrease by HK$1,366 million (2009 – HK$1,496 million) due to increase in interest expense; and
- total equity would decrease by HK$9 million (2009 – HK$72 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 income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7.

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

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

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

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

	2010		2009	
	Hypothetical increase (decrease) in profit for the year HK$ millions	**Hypothetical increase (decrease) in total equity HK$ millions**	Hypothetical increase (decrease) in profit for the year HK$ millions	Hypothetical increase (decrease) in total equity HK$ millions
EURO	**59**	**59**	74	74
GBP	**159**	**224**	105	111
AUD	**265**	**405**	241	364
RMB	**25**	**102**	65	68
USD	**2,168**	**2,174**	3,127	3,130
Japanese Yen	**(290)**	**(295)**	(265)	(265)

(iii) Other price sensitivity analysis

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

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

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

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

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

- profit for the year would increase by HK$83 million (2009 - HK$61 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$83 million (2009 – HK$61 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$2,372 million (2009 – HK$2,255 million) due to increase in gains on available-for-sale investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

	Contractual maturities					
	Within 1 year	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 2010						
Trade payables	22,460	–	–	22,460	–	22,460
Other payables and accruals	54,429	–	–	54,429	–	54,429
Interest free loans from non-controlling shareholders	2,327	–	–	2,327	–	2,327
Bank loans	14,357	83,414	18	97,789	(394)	97,395
Other loans	188	191	250	629	(58)	571
Notes and bonds	8,580	72,337	68,027	148,944	4,346	153,290
Interest bearing loans from non-controlling shareholders	–	10,246	3,247	13,493	–	13,493
Obligations for telecommunications licences and other rights	874	2,782	253	3,909	(816)	3,093
	103,215	168,970	71,795	343,980	3,078	347,058

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,756 million in "within 1 year" maturity band, HK$27,910 million in "after 1 year, but within 5 years" maturity band, and HK$24,597 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2010				
Derivative settled gross:				
Cash flow hedges – interest rate swaps				
– Net outflow	(11)	(34)	–	(45)
Cash flow hedges – forward foreign exchange contracts				
– Inflow	3,075	–	–	3,075
– Outflow	(3,091)	–	–	(3,091)

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 2009						
Trade payables	18,409	–	–	18,409	–	18,409
Other payables and accruals	50,108	–	–	50,108	–	50,108
Interest free loans from non-controlling shareholders	2,099	–	–	2,099	–	2,099
Bank loans	8,688	84,818	3,758	97,264	(334)	96,930
Other loans	526	252	174	952	–	952
Notes and bonds	8,310	54,932	97,631	160,873	1,685	162,558
Interest bearing loans from non-controlling shareholders	–	12,750	674	13,424	–	13,424
Obligations for telecommunications licences and other rights	795	2,680	873	4,348	(1,218)	3,130
Fair value hedges						
– Interest rate swaps (net settled)	(549)	49	569	69	83	152
– Cross currency interest rate swaps (net settled)	(683)	429	488	234	96	330
	87,703	155,910	104,167	347,780	312	348,092

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$7,860 million in "within 1 year" maturity band, HK$22,833 million in "after 1 year, but within 5 years" maturity band, and HK$29,013 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2009				
Derivative settled gross:				
Cash flow hedges – cross currency interest rate swaps				
– Inflow	19	–	–	19
– Outflow	(24)	–	–	(24)
Cash flow hedges – forward foreign exchange contracts				
– Inflow	2,456	–	–	2,456
– Outflow	(2,440)	–	–	(2,440)

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

	2010	2009
	HK$ millions	HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**48**	128
Gains (losses) arising on derivatives in a designated fair value hedge	**2,747**	(1,685)
Gains (losses) arising on adjustment for hedged item in a designated fair value hedge	**(2,747)**	1,685
Interest income on available-for-sale financial assets	**666**	845

44 Financial risk management (continued)

(i) Fair value of financial instruments

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value. The amendment to HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

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

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2010				
Financial instruments measured at fair value				
Available-for-sale investments				
– Unlisted equity securities (see note 22)	–	–	1,175	1,175
– Managed funds, outside Hong Kong (see note 23)	14,505	–	–	14,505
– Listed / traded debt securities, outside Hong Kong (see note 23)	867	2,169	–	3,036
– Listed equity securities, Hong Kong (see note 23)	913	–	–	913
– Listed equity securities, outside Hong Kong (see note 23)	4,191	–	1,071	5,262
Financial assets at fair value through profit or loss (see note 23)	–	833	–	833
	20,476	3,002	2,246	25,724
Fair value hedges				
– Interest rate swaps (see note 22)	–	1,776	–	1,776
– Cross currency interest rate swaps (see note 22)	–	1,105	–	1,105
	–	2,881	–	2,881
Cash flow hedges				
– Interest rate swaps (see note 22)	–	15	–	15
– Forward foreign exchange contracts (see notes 22 and 25)	–	390	–	390
– Interest rate swaps (see note 31)	–	(2)	–	(2)
– Forward foreign exchange contracts (see note 26)	–	(60)	–	(60)
	–	343	–	343

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2009				
Financial instruments measured at fair value				
Available-for-sale investments				
– Unlisted equity securities (see note 22)	–	–	1,334	1,334
– Managed funds, outside Hong Kong (see note 23)	14,404	–	–	14,404
– Listed / traded debt securities, outside Hong Kong (see note 23)	848	2,114	–	2,962
– Listed equity securities, Hong Kong (see note 23)	407	–	–	407
– Listed equity securities, outside Hong Kong (see note 23)	3,778	–	1,003	4,781
Financial assets at fair value through profit or loss (see note 23)	–	605	–	605
	19,437	2,719	2,337	24,493
Fair value hedges				
– Interest rate swaps (see note 22)	–	2,561	–	2,561
– Interest rate swaps (see note 31)	–	(152)	–	(152)
– Cross currency interest rate swaps (see note 31)	–	(330)	–	(330)
	–	2,079	–	2,079
Cash flow hedges				
– Forward foreign exchange contracts (see note 25)	–	436	–	436
– Interest rate swaps (see note 26)	–	(20)	–	(20)
– Cross currency interest rate swaps (see note 26)	–	(5)	–	(5)
– Forward foreign exchange contracts (see note 26)	–	(10)	–	(10)
	–	401	–	401

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

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

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

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

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

	2010 **HK$ millions**	2009 HK$ millions
At 1 January	**2,337**	2,543
Total gains (losses) recognised in		
Income statement	**(1)**	(41)
Other comprehensive income	**382**	67
Additions	**264**	4
Disposals	**(736)**	(8)
Transfer to investment in associate	**–**	(228)
At 31 December	**2,246**	2,337
Total losses for the year included in income statement and presented in other operating expenses	**(1)**	(41)
Total losses recognised in income statement relating to those instruments held at the end of the reporting period	**(1)**	(41)

45 Statement of financial position of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2010 is set out as follows:

	2010 HK$ millions	2009 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	**39,931**	39,931
Current assets		
Amounts due from subsidiary companies [(b)]	**66,906**	66,864
Current liabilities		
Bank overdrafts	**–**	2
Other payables and accruals	**69**	54
	69	56
Net current assets	**66,837**	66,808
Net assets	**106,768**	106,739
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves [(c)]	**105,702**	105,673
Shareholders' funds	**106,768**	106,739

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

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

(a) Particulars regarding the principal subsidiary companies are set forth on pages 217 to 222.

(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 2009	28,359	77,296	105,655
Profit for the year	–	7,388	7,388
Unclaimed dividend paid write back	–	5	5
Dividends paid relating to 2008	–	(5,201)	(5,201)
Dividends paid relating to 2009	–	(2,174)	(2,174)
At 31 December 2009	**28,359**	**77,314**	**105,673**
Profit for the year	**–**	**7,399**	**7,399**
Unclaimed dividend paid write back	**–**	**5**	**5**
Dividends paid relating to 2009	**–**	**(5,201)**	**(5,201)**
Dividends paid relating to 2010	**–**	**(2,174)**	**(2,174)**
At 31 December 2010	**28,359**	**77,343**	**105,702**

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

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK$251,256 million (2009 – HK$260,440 million), the Company has guaranteed a total of HK$201,429 million (2009 – HK$214,732 million) which has been borrowed in the name of subsidiary companies. The Company has also guaranteed perpetual capital securities of US$2,000 million, approximately HK$15,600 million (2009 – nil) issued by a wholly owned subsidiary company.

(f) The Company has no guarantees provided in respect of the bank and other borrowing facilities utilised by the jointly controlled entities (2009 – HK$8,513 million) and other guarantees (2009 – HK$3,405 million). These amounts have been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$7,399 million (2009 – HK$7,388 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2010 amounting to HK$77,343 million (2009 – HK$77,314 million).

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2010

	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	USD	30,000,000	40	Container terminal operating
	Amsterdam Port Holdings B.V.	Netherlands	EUR	170,704	56	Holding Company
	Asia Port Services Limited	British Virgin Islands/ Hong Kong	USD	25,400	80	Holding company & mid-stream container operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	31,628,668	80	Container terminal operating
✡	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HKD	40	27	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	EUR	45,000,000	75	Holding company
	ECT Delta Terminal B.V.	Netherlands	EUR	18,000	71	Stevedoring activities
	Euromax Terminal Rotterdam B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
	ECT Home Terminal B.V.	Netherlands	EUR	18,000	75	Stevedoring activities
	Freeport Container Port Limited	Bahamas	B$	2,000	41	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	79	Container terminal operating
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HKD	20	53	Holding company & container terminal operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD	76,000,000	50	Ship repairing & general engineering
	HPH Finance Limited	British Virgin Islands	USD	1	80	Finance
✡	Huizhou Port Industrial Corporation Limited	China	RMB	300,000,000	27	Container terminal operating
✡ ⌘	Huizhou Quanwan Port Development Co., Ltd.	China	RMB	359,300,000	40	Port related land development
	Hutchison Atlantic Limited	British Virgin Islands	USD	10,000	80	Holding company
	Hutchison Delta Ports Limited	Cayman Islands/ Hong Kong	USD	2	80	Holding company
	Hutchison Port Holdings Limited	British Virgin Islands/ Hong Kong	USD	26,000,000	80	Holding company
	Hutchison Korea Terminals Limited	South Korea	Won	4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating
	Hutchison Ports Finance Limited	British Virgin Islands	USD	10	80	Finance
	Hutchison Ports (UK) Finance Plc	United Kingdom	GBP	50,000	80	Finance
	Hutchison Port Investments Limited	Cayman Islands	USD	74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR	12,500	80	Holding company
	Hutchison Ports (Jersey) Port Development Limited	Jersey	GBP	30,000,002	80	Port development and property management
	Hutchison Ports (Jersey) Property Management Limited	Jersey	GBP	25,000,100	80	Port property management and leasing
	Hutchison Westport Investments Limited	British Virgin Islands	USD	2	80	Holding company
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR	2,000,000	41	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	USD	14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR	1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	Won	45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	50,000,000	80	Container terminal operating
	Laemchabang International Ro-Ro Terminal Limited	Thailand	THB	50,000,000	64	Ro-Ro Terminal operation
	Maritime Transport Services Limited	United Kingdom	GBP	13,921,323	64	Container terminal operating
✡ ⌘	Nanhai International Container Terminals Limited	China	USD	42,800,000	40	Container terminal operating
✡ ⌘	Ningbo Beilun International Container Terminals Limited	China	RMB	700,000,000	39	Container terminal operating

Principal Subsidiary and Associated Companies and Jointly Controlled Entities
at 31 December 2010

	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)					
	Oman International Container Terminal L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S. A.	Panama	USD	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating
+	PT Hutchison Ports Indonesia	Indonesia	IDR	130,000,000,000	80	Holding company
+	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,500	41	Container terminal operating
✡	River Trade Terminal Co. Limited	British Virgin Islands/ Hong Kong	USD	1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD	80,084,000	56	Container terminal operating
✡ ⌘	Shanghai Container Terminals Limited	China	RMB	1,000,000,000	30	Container terminal operating
✡ ⌘ +	Shanghai Mingdong Container Terminals Limited	China	RMB	4,000,000,000	40	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	USD	88,000,000	56	Container terminal operating
⚐	Shenzhen Hutchison Inland Container Depots Co., Ltd.	China	HKD	92,000,000	57	Inland container depots services
⌘	Shenzhen Yantian West Port Terminals Limited	China	RMB	1,000,000,000	34	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR	3,826,770,000	72	Container terminal operating
	SupplyLINE Logistics Limited	Hong Kong	HKD	10,000	41	Logistics services
✡	Taranto Container Terminal S.p.A.	Italy	EUR	1,280,000	40	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	80	Marine construction and ship repair yard
	Terminal Catalunya, S.A.	Spain	EUR	2,342,800	72	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	70	Container terminal operating
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	1,801,666,000	56	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP	2	64	Container terminal operating
# +	Westports Holdings Sdn. Bhd.	Malaysia	MYR	117,000,000	25	Holding company
✡ ⌘	Xiamen Haicang International Container Terminals Limited	China	RMB	555,515,000	39	Container terminal operating
✡ ⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	39	Container terminal operating
⌘	Yantian International Container Terminals Limited	China	HKD	2,400,000,000	38	Container terminal operating
⌘	Yantian International Container Terminals (Phase III) Limited	China	HKD	6,056,960,000	34	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Gaolan) Limited	China	USD	105,750,000	40	Container terminal operating
✡ ⌘	Zhuhai International Container Terminals (Jiuzhou) Limited	China	USD	52,000,000	40	Container terminal operating
	Property and hotels					
	Aberdeen Commercial Investments Limited	Hong Kong	HKD	2	100	Property owning
	Consolidated Hotels Limited	Hong Kong	HKD	78,000,000	39	Investment in hotel
	Elbe Office Investments Limited	Hong Kong	HKD	2	100	Property owning
	Foxton Investments Limited	Hong Kong	HKD	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HKD	1,000,000	100	Property owning
	Grafton Properties Limited	Hong Kong	HKD	100,000	100	Property owning
#	Harbour Plaza Hotel Management (International) Limited	British Virgin Islands/ Hong Kong	USD	2	50	Hotel management
	Harley Development Inc.	Panama/Hong Kong	USD	2	100	Property owning
	Hongville Limited	Hong Kong	HKD	2	100	Property owning
✡ ⚐	Hutchison Enterprises (Chongqing) Limited	China	RMB	470,000,000	50	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HKD	50,000	100	Property management, agency & related services
	Hutchison Hotel Hong Kong Limited	Hong Kong	HKD	2	100	Investment in hotel

	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 International Hotels Limited	British Virgin Islands	USD	1	100	Holding company
	Hutchison Lucaya Limited	Bahamas	USD	5,000	100	Investment in hotel
	Hutchison Whampoa Properties Limited	Hong Kong	HKD	2	100	Holding company
✡ ⚐ +	Hutchison Whampoa Properties (Beijing Chaoyang) Limited	China	USD	81,579,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Changchun) Limited	China	USD	34,870,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (ChangSha WangCheng) Limited	China	RMB	149,000,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Chengdu) Limited	China	RMB	1,050,000,000	50	Property developing & investment
✡ ⌘ +	Hutchison Whampoa Properties (Chongqing Nanan) Limited	China	RMB	1,460,000,000	48	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited	China	RMB	250,000,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Guangzhou Panyu) Limited	China	RMB	285,000,000	50	Property developing & investment
✡ ⚐ +	Hutchison Whampoa Properties (Guangzhou Liwan) Limited	China	RMB	600,000,000	50	Property developing & investment
	Hutchison Whampoa Properties (Management & Agency) Limited	Hong Kong	HKD	20	100	Project management & related services
# ♁ +	Hutchison Whampoa Properties (Shanghai) Lujiazui Limited	China	USD	372,000,000	25	Property developing & investment
✡ ♁	Hutchison Whampoa Properties (Shanghai) Gubei Limited	China	USD	48,550,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Shenzhen) Co., Ltd.	China	USD	100,000,000	50	Property developing & investment
✡ ⚐	Hutchison Whampoa Properties (Tianjin) Limited	China	USD	47,500,000	40	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Wuhan Jianghan North) Limited	China	USD	54,400,000	50	Property developing & investment
✡ ♁ +	Hutchison Whampoa Properties (Wuhan Jianghan South) Limited	China	USD	59,300,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Xi An) Limited	China	USD	59,600,000	50	Property developing
✡ ♁ +	Hutchison Whampoa Properties (Zhuhai) Company Limited	China	USD	15,000,000	50	Property developing & investment
	Hybonia Limited	Hong Kong	HKD	20	100	Property owning
✡ + ⌘	Jiangmen Hutchison Whampoa Properties Limited	China	RMB	120,000,000	45	Property developing
✡ +	Konorus Investment Limited	Hong Kong	HKD	2	43	Property developing
✡ +	Marketon Investment Limited	Hong Kong	HKD	4	50	Property owning
	Matrica Limited	Hong Kong	HKD	20	70	Property owning and hotel operation
	Mossburn Investments Limited	Hong Kong	HKD	1,000	100	Property owning
	Omaha Investments Limited	Hong Kong	HKD	10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HKD	100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HKD	2	100	Property owning
# +	Randash Investment Limited	Hong Kong	HKD	110	39	Investment in hotel
✡ ⚐ +	Regal Lake Property Development Limited Guang Zhou	China	RMB	1,040,640,000	40	Property developing
	Rhine Office Investments Limited	Hong Kong	HKD	2	100	Property owning
✡ ♁ +	Shanghai Cheung Tai Property Development Limited	China	RMB	870,000,000	50	Property developing
✡ ♁ +	Shanghai Helian Property Development Co., Ltd.	China	USD	74,700,000	50	Property developing
✡ ⚐	Shanghai Westgate Mall Co., Ltd.	China	USD	40,000,000	30	Property owning
✡ ⚐	Shenzhen Hutchison Whampoa CATIC Properties Limited	China	RMB	620,000,000	40	Property developing & investment
✡ ♁ +	Shenzhen Hutchison Whampoa Guanlan Properties Limited	China	RMB	250,000,000	50	Property developing
✡ ♁ +	Shenzhen Hutchison Whampoa Longgang Properties Limited	China	RMB	232,000,000	50	Property developing
#	The Kowloon Hotel Limited	Bahamas/Hong Kong	USD	5	50	Investment in hotel
	Trillium Investment Limited	Bahamas/Hong Kong	USD	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HKD	2	100	Property owning
	Vember Lord Limited	Hong Kong	HKD	2	100	Property owning

Principal Subsidiary and Associated Companies and Jointly Controlled Entities

at 31 December 2010

	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					
	A.S. Watson & Company, Limited	Hong Kong	HKD	109,550,965	100	Holding company
	A.S. Watson (Europe) Finance B.V.	Netherlands	EUR	18,000	100	Finance
	A.S. Watson (Europe) Holdings B.V.	Netherlands	EUR	18,300	100	Holding company
	A.S. Watson Group Holdings Limited	British Virgin Islands	USD	1	100	Holding company
	A.S. Watson Group (HK) Limited	British Virgin Islands/ Hong Kong	USD	1	100	Retailing, supermarket operating, and water, beverage & fruit juice manufacturing & distributing
	A.S. Watson Investments S.à r.l.	Luxembourg	EUR	125,000	100	Holding company
	A/S Drogas	Latvia	LVL	1,280,000	100	Retailing
	DC Ukraine	Ukraine	UAH	29,300,000	100	Holding in retailing business
✡ +	Dirk Rossmann GmbH	Germany	EUR	12,000,000	40	Retailing
	Fortress Limited	Hong Kong	HKD	20	100	Retailing
⌘	Guangzhou Park'N Shop Supermarkets Limited	China	HKD	83,330,000	97	Retailing
⌘	Guangzhou Watson's Food and Beverages Co. Limited	China	USD	32,283,432	95	Beverage manufacturing & trading
⌘	Guangzhou Watson's Personal Care Stores Limited	China	HKD	71,600,000	95	Retailing
	Ici Paris XL Nederland B.V.	Netherlands	EUR	20,000	100	Perfume retailing
	Kruidvat B.V.B.A.	Belgium	EUR	62,000	100	Retailing
	Kruidvat Retail B.V.	Netherlands	EUR	20,000	100	Retailing
+	Marionnaud Parfumeries S A	France	EUR	76,575,832	100	Holding in perfume retailing business
	Marionnaud Parfumeries Autriche GmbH	Austria	EUR	2,543,549	100	Perfume retailing
	Marionnaud Parfumeries Iberica, S.L.	Spain	EUR	35,802,167	100	Perfume retailing
	Marionnaud Parfumeries Portugal Lda	Portugal	EUR	550,000	100	Perfume retailing
	Marionnaud Parfumeries Italia S.p.A.	Italy	EUR	3,500,000	100	Perfume retailing
	Marionnaud Switzerland AG	Switzerland	CHF	10,000,000	100	Perfume retailing
✡	Nuance-Watson (HK) Limited	Hong Kong	HKD	20	50	Operation of duty free shops
✡	Nuance-Watson (Singapore) Pte Ltd.	Singapore	SGD	2	50	Operation of duty free shops
	Parfumerie Ici Paris XL N.V.	Belgium	EUR	770,000	100	Perfume retailing
	Park'N Shop Limited	Hong Kong	HKD	1,000,000	100	Supermarket operating
	Savers Health and Beauty Limited	United Kingdom	GBP	1,400,000	100	Retailing
+	Spektr Group Limited Liability Company	Russia	RUB	3,000,000	100	Retailing
	Superdrug Stores plc	United Kingdom	GBP	22,000,000	100	Retailing
	The Perfume Shop Limited	United Kingdom	GBP	100,000	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	SGD	5,000,000	100	Retailing
	Watson's Personal Care Stores Sdn. Bhd.	Malaysia	MYR	2,000,000	100	Retailing
	Watsons Personal Care Stores (Philippines), Inc.	Philippines	PHP	135,000,000	60	Retailing
	Watson's The Chemist Limited	Hong Kong	HKD	1,000,000	100	Retailing
	Energy and infrastructure					
❋ +	Cheung Kong Infrastructure Holdings Limited	Bermuda/Hong Kong	HKD	2,254,209,945	85	Holding Company
❋ # +	Husky Energy Inc.	Canada	C$	4,573,538,990	35	Investment in oil and gas
# +	Northern Gas Networks Holdings Limited	United Kingdom	GBP	571,670,980	40	Gas distribution
❋ # +	Power Assets Holdings Limited	Hong Kong	HKD	2,134,261,654	33	Investment holdings in power and utility-related businesses
# +	UK Power Networks Holdings Limited	United Kingdom	GBP	10,000,000	34	Electricity distribution

	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
	Finance and investments					
	Binion Investment Holdings Limited	Cayman Islands	USD	3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HKD	2,898,985,782	100	Holding company
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HKD	139,254,060	100	Holding company
	Hutchison International Finance (01/08) Limited	British Virgin Islands	USD	1	100	Finance
	Hutchison International Finance (03/08) Limited	British Virgin Islands	USD	1	100	Finance
	Hutchison International Finance (BVI) Limited	British Virgin Islands	USD	1	100	Finance
	Hutchison International Limited	Hong Kong	HKD	446,349,093	100	Holding company & corporate head office
	Hutchison OMF Limited	British Virgin Islands	USD	1	100	Overseas portfolio investment
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR	1,764,026,875	100	Holding company
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP	1,000	100	Consultancy services
	Hutchison Whampoa Finance (03/13) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (05) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (06) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (09) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa Finance UK plc	United Kingdom	GBP	50,000	100	Finance
	Hutchison Whampoa International (03/13) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (03/33) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09/16) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (09/19) Limited	Cayman Islands	USD	1	100	Finance
	Hutchison Whampoa International (10) Limited	Cayman Islands	USD	1	100	Finance
	Strategic Investments International Limited	British Virgin Islands	USD	1	53	Overseas portfolio investment
	Sunbliss Limited	British Virgin Islands	USD	1	100	Finance
	Telecommunications					
	Hutchison Global Communications Limited	Hong Kong	HKD	20	65	Fixed line communications
❋	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands/ Hong Kong	HKD	1,203,939,052	65	Holding company & mobile and fixed-line telecommunications services
	PT. Hutchison CP Telecommunications	Indonesia	IDR	649,890,000,000	65	Mobile telecommunications services
	Hutchison Telecommunications (Vietnam) S.à r.l.	Luxembourg	USD	20,000	100	Investment holdings in the BCC in Vietnam
	3 Italia S. p. A.	Italy	EUR	6,512,715,450	97	3G mobile multimedia services
	Hi3G Access AB	Sweden	SEK	10,000,000	60	3G mobile multimedia services
	Hutchison 3G Austria GmbH	Austria	EUR	35,000	100	3G mobile multimedia services
	Hutchison 3G UK Limited	United Kingdom	GBP	1	100	3G mobile multimedia services
❋	Hutchison Telecommunications (Australia) Limited	Australia	AUD	4,204,487,847	88	Holding company
✡	Vodafone Hutchison Australia Pty Limited	Australia	AUD	6,046,889,713	44	3G mobile 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	USD	65,000,000	50	Aircraft maintenance
❋	Hutchison Harbour Ring Limited	Bermuda/Hong Kong	HKD	896,680,471	71	Holding company of property investment business
❋	Hutchison China MediTech Limited	Cayman Islands/China	USD	51,743,153	71	Holding company of healthcare businesses
	Hutchison Whampoa (China) Limited	Hong Kong	HKD	15,000,000	100	Investment holding & China services
#	Metro Broadcast Corporation Limited	Hong Kong	HKD	1,000,000	50	Radio broadcasting
❋ #	TOM Group Limited	Cayman Islands/ Hong Kong	HKD	389,327,056	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 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.

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 28% and 6% 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.

BHP — brake horse power is the measure of an engine's horsepower without the loss in power caused by the gearbox, generator, differential, water pump and other auxiliaries.

CDMA — Code Division Multiple Access cellular telephone technology.

Cellular network operator — an operator of a cellular telephone network.

Cellular service provider — a company that buys airtime wholesale from cellular network operators and resells a range of mobile communications services to its customers.

DVB-H — Digital Video Broadcast to Handheld is a technical specification for bringing broadcast services to handheld receivers.

ETS — External Telecommunications Service.

FTNS — Fixed wireline telecommunications network.

GHz — gigahertz.

GPRS — General Packet Radio System is a mobile data service available to users of GSM mobile phones.

GSM — Global System for Mobile Communications cellular telephone technology.

HSDPA — High Speed Downlink Packet Access is a new mobile telephony protocol, provides a smooth evolutionary path for Universal Mobile Telecommunications System (UMTS) networks allowing for higher data capacity.

IDD — International Direct Dial.

kbps — kilobits per second.

km — kilometer.

MHz — megahertz.

MW — megawatt, equal to 1,000 kilowatts.

NGLs — natural gas liquids.

NPC — the National People's Congress of China.

Panamax — ships that are of the maximum dimensions that will fit through the locks of the Panama Canal, each of which is 1,000 feet long by 110 feet wide and 85 feet deep.

PCS — Personal Communications Service, System or Network cellular telephone technology.

Post Panamax — a vessel whose size does not allow it to transit the Panama Canal.

SAR — Special Administrative Region of the PRC.

SDH — synchronous digital hierarchy. A set of standard fiber optic based serial standards.

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.

UK — United Kingdom

UMTS — Universal Mobile Telecommunications Systems.

U.S. — United States

REGISTERED OFFICE OF THE ISSUER

Hutchison Whampoa International (12) Limited
Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

REGISTERED OFFICE OF THE GUARANTOR

Hutchison Whampoa Limited
22/F Hutchison House
10 Harcourt Road
Central, Hong Kong

FISCAL AGENT, PAYING AND TRANSFER AGENT

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, N.Y. 10286
U.S.A.

REGISTRAR

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, N.Y. 10286
U.S.A.

LEGAL ADVISERS TO THE GUARANTOR AND THE ISSUER

as to U.S. and New York State law
Sullivan & Cromwell
28th Floor
Nine Queen's Road Central
Hong Kong

as to Hong Kong law
Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

LEGAL ADVISER TO THE ISSUER

as to Cayman Islands law
Maples and Calder
53/F, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISER TO THE INITIAL PURCHASERS

as to U.S. and New York State law
Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
10 Chater Road
Hong Kong

LISTING AGENT

Drew & Napier LLC
20 Raffles Place #17-00
Ocean Towers
Singapore 048620
ROC No. 200102509E

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