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Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 13)

OVERSEAS REGULATORY ANNOUNCEMENT

Please refer to the attached Form 20-F/A which was filed with the U.S. Securities and Exchange Commission on 11 March 2010 by Hutchison Telecommunications International Limited, a non-wholly owned subsidiary of the Company.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr LI Ka-shing (*Chairman*)
Mr LI Tzar Kuoi, Victor (*Deputy Chairman*)
Mr FOK Kin-ning, Canning
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
Mr KAM Hing Lam

Non-executive Directors:

Mr George Colin MAGNUS
Mr William SHURNIAK

Independent Non-executive Directors:

The Hon Sir Michael David KADOORIE
Mr Holger KLUGE
Mrs Margaret LEUNG KO May Yee
Mr William Elkin MOCATTA
*(Alternate to The Hon Sir Michael
David Kadoorie)*
Mr WONG Chung Hin

Hong Kong, 11 March 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F/A
Amendment No. 1

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

For the transition period from to

Commission file number: 001-32309

**HUTCHISON TELECOMMUNICATIONS
INTERNATIONAL LIMITED**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

CAYMAN ISLANDS

(Jurisdiction of incorporation or organization)

20/F, Hutchison Telecom Tower

99 Cheung Fai Road

Tsing Yi

Hong Kong

(Address of principal executive offices)

Edith Shih

Hutchison Telecommunications International Limited
22nd Floor, Hutchison House
10 Harcourt Road
Hong Kong
Telephone: 852 2128 1188
Facsimile: 852 2128 1178

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing 15 Ordinary Shares of nominal value HK\$0.25 each; and Ordinary Shares, nominal value HK\$0.25 each	New York Stock Exchange The Stock Exchange of Hong Kong Limited New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, nominal value HK\$0.25 each 4,814,346,208

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act of 1934. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statement included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

* Not for trading, but only in connection with the registration of the American Depositary Shares

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (“Amendment No. 1”) is being filed to amend our Annual Report on Form 20-F for the year ended December 31, 2008, as filed with the U.S. Securities and Exchange Commission (the “Commission” or the “SEC”) on May 27, 2009 (the “2008 Annual Report”).

As disclosed previously in the Company’s 2008 Annual Report, the staff of the SEC (the “Staff”) had in August 2008 questioned the accounting treatment of the sale and leaseback of base station tower sites entered into by the Company’s Indonesia subsidiary, PT. Hutchison CP Telecommunications (“HCPT”).

HCPT entered into a Tower Transfer Agreement to sell up to 3,692 base station tower sites for a cash consideration of US\$500 million (HK\$3,882 million), with completion in tranches over a two-year period commencing on March 18, 2008. Concurrent with completion of the first tranche, HCPT entered into a Master Lease Agreement (“MLA”) to lease back a portion of the capacity on the base station tower sites as further described in note 10(b) to our financial statements. The Company reviewed the substance of this transaction in accordance with International Financial Reporting Standards (“IFRS”) and determined, with the agreement of its auditor, that this transaction satisfied the criteria for recognition as an operating lease. Accordingly, the Company reflected this treatment in its audited financial statements for the year ended December 31, 2008, and a gain on disposal of the base station tower sites amounting to US\$182.2 million (HK\$1,421 million) was recognized as well as the lease expense for the period from the commencement of the lease.

The sale and leaseback transaction was first reported as a subsequent event in the Company’s annual report on Form 20-F for the year ended December 31, 2007 (the “2007 Form 20-F”). As part of its periodic review of the Company’s 2007 Form 20-F, the Staff raised questions about this accounting treatment in a letter dated August 28, 2008. Since that date, the Company and its auditor have had a number of discussions with the Staff.

At the conclusion of these discussions, the Staff informed the Company that, in their judgment, the leaseback transaction should be classified as a finance lease under IFRS. The Company has decided to amend and restate the previously reported financial statements for the year ended December 31, 2008 to reflect the accounting for the transaction as a finance lease. The adjustments required to the 2008 financial statements include:

- deferring and amortizing the gain from the sale of the capacity leased back by the Company over the lease period in the consolidated income statement;
- recognizing the leased assets and the related finance lease obligations in the consolidated balance sheet;
- recognizing depreciation expense on the leased assets and interest expense on the lease payments as finance lease charges.

The gain attributable to the portion of the capacity of the base station tower sites sold under the Tower Transfer Agreement that has not been leased back by HCPT, amounting to US\$54.6 million (HK\$426 million), continues to be recognized in the income statement in 2008.

As explained above, the restatement relates to differences in judgment between the Company and the Staff on the application of IFRS to this transaction. The Company has considered the effect of the restatement on its assessment of disclosure controls and procedures and internal control over financial reporting. The Company believes that it has adequately designed procedures to account for leasing transactions under IAS 17 and has therefore concluded that it does not have a material weakness in its internal control over financial reporting in this respect and that its internal control over financial reporting is effective at December 31, 2008.

Except as discussed above, the Company has not modified or updated disclosures presented in the 2008 Annual Report in this Amendment No. 1, other than those required to reflect the effects of the restatement. Accordingly, this Form 20-F/A does not reflect events occurring after the filing of the 2008 Annual Report or modify or update those disclosures affected by subsequent events or discoveries and information contained in the 2008 Annual Report and not affected by this restatement. Events occurring after the filing of the 2008 Annual Report or other disclosures necessary to reflect subsequent events have been or will be addressed in the Company's reports filed subsequent to the 2008 Annual Report.

This Form 20-F/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the 2008 Annual Report, including any amendments to those filings.

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PART I

ITEM 3. KEY INFORMATION

A. Summary Consolidated Financial Data

The following tables set forth summary consolidated financial data about our company. We have derived the summary consolidated financial data as at December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 from our audited financial statements included in this amended annual report on Form 20-F/A. The audited financial statements as at and for the year ended December 31, 2008 have been restated as described in note 2(b) to our financial statements and the summary consolidated financial data set forth below reflects the restatement. The summary consolidated financial data should be read in conjunction with, and is qualified in its entirety by reference to, these financial statements, including the related notes. These financial statements have been audited by PricewaterhouseCoopers, Hong Kong, independent registered public accounting firm.

Our financial statements were prepared in accordance with IFRS.

You should read the following summary consolidated financial data in conjunction with the rest of this annual report, including our financial statements and the related notes and the more detailed information contained in “Item 5. Operating and Financial Review and Prospects.” For a description of the basis of presentation of these financial statements, see note 2 to our financial statements in “Item 18. Financial Statements” and “Item 5. Operating and Financial Review and Prospects—Basis of Preparation of Financial Statements.”

	Year ended December 31,			
	2006	2007	2008 (Restated)	2008 (Restated)
	HK\$	HK\$	HK\$	US\$
(in millions, except per share data)				
Consolidated income statement:				
Continuing operations:				
Turnover	17,923	20,401	23,725	3,061
Cost of inventories sold	(2,164)	(2,671)	(2,785)	(359)
Staff costs	(1,897)	(2,295)	(2,511)	(324)
Depreciation and amortization	(3,804)	(4,226)	(4,588)	(592)
Other operating expenses	(8,685)	(10,182)	(12,441)	(1,606)
Impairment charge for Thailand segment	—	(3,854)	—	—
Profit on disposal of investments and others, net	44	8	1,497	193
Operating profit/(loss)	1,417	(2,819)	2,897	373
Interest income	66	1,619	1,074	139
Interest and other finance costs	(1,652)	(1,335)	(1,418)	(183)
Share of results of associates	(1)	—	—	—
Share of results of jointly-controlled entities	—	—	(11)	(1)
(Loss)/Profit before taxation	(170)	(2,535)	2,542	328
Taxation	(653)	(191)	(874)	(113)
(Loss)/Profit for the year from continuing operations	(823)	(2,726)	1,668	215
Discontinued operations:				
Profit from discontinued operations ⁽¹⁾	2,399	70,502	—	—
Profit for the year	1,576	67,776	1,668	215
Attributable to:				
Equity holders of the Company:				
- continuing operations	(1,191)	(3,147)	1,132	146
- discontinued operations	1,392	70,031	—	—
Total profit attributable to equity holders of the Company	201	66,884	1,132	146
Minority interest:				
- continuing operations	368	421	536	69
- discontinued operations	1,007	471	—	—
Total profit attributable to minority interest	1,375	892	536	69
Profit for the year	1,576	67,776	1,668	215
Dividends				
Special cash dividend	—	32,234	33,700	4,348
Conditional interim dividend in specie ⁽²⁾	—	—	10,061	1,298
Basic and diluted (loss) / earnings per share from continuing operations attributable to equity holders	(0.25)	(0.66)	0.24	0.03
Basic and diluted earnings per share attributable to equity holders	0.04	14.01	0.24	0.03

(1) The HK\$70,502 million profit from discontinued operations for the year ended December 31, 2007 was a result of the disposal of our entire interest in CGP Investments (Holdings) Limited.

(2) Details of the conditional interim dividend in specie are set out in note 14(b) to our financial statements in "Item 18. Financial Statements."

Consolidated balance sheet

	As at December 31,		
	2007	2008	2008
	HK\$	(Restated) HK\$	(Restated) US\$
	(in millions)		
Assets			
Cash and cash equivalents	36,611	2,525	326
Other current assets	5,242	5,291	683
Total current assets	41,853	7,816	1,009
Assets held for sale	—	174	22
Total non-current assets	34,570	36,677	4,732
Total assets	76,423	44,667	5,763
Liabilities			
Current borrowings	5,083	7,652	987
Other current liabilities	8,132	8,200	1,058
Total current liabilities	13,215	15,852	2,045
Non-current borrowings	5,937	4,434	572
Deferred tax liabilities	584	457	59
Other non-current liabilities	2,551	3,268	422
Total non-current liabilities	9,072	8,159	1,053
Total liabilities	22,287	24,011	3,098
Capital and reserves			
Share capital	1,195	1,204	155
Reserves	50,089	17,265	2,228
Shareholders' equity	51,284	18,469	2,383
Minority interest	2,852	2,187	282
Total equity	54,136	20,656	2,665
Total liabilities and equity	76,423	44,667	5,763

Exchange Rate Information

On May 8, 2009, the exchange rate between the Hong Kong dollar and the U.S. dollar (in HK\$ per US\$) was HK\$7.7500 per US\$1.00. The following table sets out the high and low exchange rates in effect for each of the months indicated:

Month	Exchange Rates	
	High	Low
	(HK\$ per US\$1.00)	
November 2008	7.7560	7.7497
December 2008	7.7522	7.7497
January 2009	7.7618	7.7504
February 2009	7.7551	7.7511
March 2009	7.7593	7.7497
April 2009	7.7508	7.7495
May 2009 (through May 8)	7.7500	7.7500

The following table sets forth the average exchange rates calculated by using the average of the exchange rates on the last day of each month for each of the years indicated:

Year ended December 31,	Average Exchange Rate (HK\$ per US\$1.00)
2004	7.7899
2005	7.7755
2006	7.7685
2007	7.8008
2008	7.7814

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Restatement of our Financial Statements

As discussed in the explanatory note to this Form 20-F/A and in note 2(b) to our financial statements for the year 2008, the Staff in August 2008 questioned the accounting treatment of the sale and leaseback of base station tower sites entered into by the Company's Indonesia subsidiary, HCPT.

HCPT entered into a Tower Transfer Agreement to sell up to 3,692 base station tower sites for a cash consideration of US\$500 million (HK\$3,882 million), with completion in tranches over a two-year period commencing on March 18, 2008. Concurrent with completion of the first tranche, HCPT entered into the MLA to lease back a portion of the capacity on the base station tower sites as further described in note 10(b) to our financial statements. The Company reviewed the substance of this transaction in accordance with IFRS and determined, with the agreement of its auditor, that this transaction satisfied the criteria for recognition as an operating lease. Accordingly, the Company reflected this treatment in its audited financial statements for the year ended December 31, 2008 and a gain on disposal of the base station tower sites amounting to US\$182.2 million (HK\$1,421 million) was recognized as well as the lease expense for the period from the commencement of the lease.

The sale and leaseback transaction was first reported as a subsequent event in the Company's 2007 Form 20-F. As part of its periodic review of the Company's 2007 Form 20-F, the Staff raised questions about this accounting treatment in a letter dated August 28, 2008. Since that date, the Company and its auditor have had a number of discussions with the Staff.

At the conclusion of these discussions, the Staff informed the Company that, in their judgment, the leaseback transaction should be classified as a finance lease under IFRS. The Company has decided to amend and restate the previously reported financial statements for the year ended December 31, 2008 to reflect the accounting for the transaction as a finance lease. The adjustments required to the 2008 financial statements include:

- deferring and amortizing the gain from the sale of the capacity leased back by the Company over the lease period in the consolidated income statement;
- recognizing the leased assets and the related finance lease obligations in the consolidated balance sheet;
- recognizing depreciation expense on the leased assets and interest expense on the lease payments as finance lease charges.

The gain attributable to the portion of the capacity of the base station tower sites sold under the Tower Transfer Agreement that has not been leased back by HCPT, amounting to US\$54.6 million (HK\$426 million), continues to be recognized in the income statement in 2008.

Overview

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this amended annual report on Form 20-F/A. With effect from the year ended December 31, 2007, we prepared our consolidated financial statements in accordance with IFRS; we have also presented the results for the year ended December 31, 2006 in accordance with IFRS in the attached consolidated financial statements. Our consolidated financial statements were prepared in accordance with HKFRS in previous years. We believe that the adoption of IFRS will allow our consolidated financial statements to be more easily understood by our shareholders, potential investors, the capital markets and our stakeholders and users.

A number of developments have occurred since the beginning of 2008 that affected our results for the year or will affect our results going forward. These include:

- In February 2008, Partner, our subsidiary in Israel, announced a share buy-back plan for implementation throughout 2008, in an amount of up to NIS 600 million (US\$152.3 million), subject to appropriate market conditions. During the year, Partner bought back 4,467,990 shares for aggregate cash consideration of NIS 351 million (HK\$799 million) and this was reflected in our 2008 consolidated financial statements.
- In March 2008, HCPT, our subsidiary in Indonesia, entered into a conditional agreement to sell up to 3,692 base station tower sites to Protelindo for cash consideration, assuming completion of all base station tower sites, of US\$500.0 million (HK\$3,882 million). The sale of the base station tower sites is expected to be made in tranches over a two-year period. In connection with the Tower Transfer Agreement, HCPT and Protelindo entered into a lease agreement granting HCPT (i) the right to use the capacity reserved for HCPT on the base station tower sites sold under the Tower Transfer Agreement and related infrastructure as HCPT may elect for an initial period of twelve years which, at HCPT's election, may be extended for another six years, and (ii) options to acquire Protelindo's right, title and interest in these facilities at a pre-agreed price. The sale and leaseback transaction has been accounted for as resulting in a finance lease. During 2008, 2,248 base station tower sites were transferred to Protelindo and a total gain of HK\$1,421 million (US\$182.2 million) was generated from these transactions, of which a profit of HK\$426 million (US\$54.6 million) was recognized in the income statement upon completion of the sale and HK\$995 million (US\$127.6 million) was deferred and would be amortized to the income statement over the lease periods. In 2008, HK\$39 million (US\$4.9 million) of the deferred gain was amortized to the income statement.
- In July 2008, we completed the sale to EGH of all of our direct and indirect equity and loan interests and intellectual property held through various subsidiaries in Kasapa Telecom Limited, or Kasapa, the operating company for our Ghana operations, for cash consideration of HK\$583.5 million (US\$75.3 million) before costs and expenses. We recorded a gain on disposal of HK\$298 million (US\$38.5 million) from the transaction.
- In July 2008, we completed the acquisition of NEC's 5% interest in our 2G and 3G mobile telecommunications businesses in Hong Kong and Macau.
- In November 2008, we entered into a facility agreement with certain subsidiaries of Hutchison Whampoa, which was amended and restated in April 2009. Pursuant to the Amended and Restated Facility Agreement, among other things, a subsidiary of Hutchison Whampoa agreed to make available to us a senior secured term loan/revolving credit facility in the maximum aggregate amount of US\$1,790 million (approximately HK\$13,872.5 million), subject to the terms of the Amended and Restated Facility Agreement. In May 2009, an aggregate amount of US\$290 million was advanced to our company. We refer you to "Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions – Credit Facility" for more information.
- In December 2008, we paid a special cash dividend of HK\$7 per share (approximately US\$13.55 per ADS), or HK\$33.7 billion (US\$4.3 billion) in total.
- In January 2009, our Hong Kong mobile operations, through a jointly-controlled entity with Hong Kong Telecommunications (HKT) Limited, successfully bid for a total of 30 MHz of radio spectrum in the 2.5 GHz band at a total spectrum utilization fee of HK\$518 million (US\$66.8 million). In March 2009, a broadband wireless access license was issued by OFTA in Hong Kong upon receipt of the spectrum utilization fee and performance bond from the jointly-controlled entity.

- In March 2009, our board of directors approved the payment of an interim dividend to be satisfied by way of a distribution in specie of the entire share capital of HTHKH, our indirect wholly-owned subsidiary, conditional on (i) the SEHK approving the proposed spin-off of HTHKH by us and Hutchison Whampoa; and (ii) the SEHK granting approval for the listing of the entire share capital of HTHKH on the Main Board of the SEHK. HTHKH and its subsidiaries operated our mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong. This conditional interim dividend in specie was approved after the December 31, 2008 balance sheet date for our consolidated financial statements and has not been recognized as a liability at the balance sheet date. The shares of HTHKH were listed on the Main Board of the SEHK in May 2009 and HTHKH has established its own ADR program. We refer you to “Item 4. Information on the Company – History and Development of the Company – The Spin-off” for more information.
- We acquired an additional 5% equity interest and certain loan interests in our Indonesia operations in April 2009.
- In April 2009, our Vietnam operations launched GSM services, after being granted an Investment Certificate from The People’s Committee of Hanoi City in March 2008 that permitted conversion of the CDMA network to GSM with a renewed operating period of a further 15 years.
- We advanced US\$55 million (approximately HK\$426.3 million) to an indirect subsidiary of HCPT’s minority shareholder pursuant to a loan agreement entered into in April 2009. The loan carries interest at the rate of 3% per annum.
- In April 2009, we acquired, for consideration of US\$1 (approximately HK\$7.75), the benefit of shareholder loans of approximately US\$91.4 million (approximately HK\$708.4 million) made by HCPT’s minority shareholder to HCPT.
- In April 2009, HCPT’s minority shareholder also granted to our indirect wholly-owned subsidiary, an option to purchase up to 2,274,615 shares of HCPT exercisable by notice in writing at any time during a twenty-year period and on an unlimited number of occasions. The exercise of the option is conditional upon any prior approval from, registrations with or notifications to any government bodies in Indonesia, including BKPM and the Ministry of Communications.
- The shareholders’ agreement in respect of HCPT was amended and restated in April 2009, pursuant to which the shareholders of HCPT agreed that, among other things, HCPT will have no rights and obligations under the original shareholders’ agreement other than the provisions relating to confidentiality and regulatory matters, the minority shareholder of HCPT may elect not to provide any additional funding required by HCPT from its shareholders or from third parties requiring shareholder support, and the minority shareholder together with its affiliates agreed to provide certain non-compete covenants.

Basis of Preparation of Financial Statements

Our consolidated financial statements were prepared in accordance with IFRS. Our subsidiaries are grouped into the following six segments for financial reporting purposes, based on their geographic area of operation and principal business line:

- Hong Kong mobile
- Hong Kong fixed-line
- Israel
- Thailand
- Indonesia
- Others

The results of operations of subsidiaries acquired or disposed of during the year are included in our consolidated financial statements commencing from the effective dates of their acquisition or up to the effective dates of their disposal, as the case may be.

As a result of our sale of CGP Investments Holdings on May 8, 2007, the results pertaining to the Indian mobile telecommunications operations have been presented in our consolidated financial statements as discontinued operations in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” In accordance with this presentation, the results of discontinued operations are excluded from the totals used in the discussion of operating results as at and for the years ended December 31, 2007 and 2006.

The results of operations of our Macau mobile telecommunications business are aggregated with our Hong Kong mobile telecommunications business because the Macau operating company is a subsidiary of our Hong Kong mobile operating company, shares the same management and is significantly smaller in terms of turnover and customer numbers.

“Others” is comprised of our operations in Vietnam, Sri Lanka, Ghana, operations of our corporate office and our subsidiary PowerCom Network Hong Kong Limited, as well as the non-telecommunications businesses of Vanda IT Solutions up to the date of its disposal in July 2006. The operating results of our Ghana operations were recorded in our consolidated financial statements up to the completion of its disposal on July 11, 2008.

Results of Operations

The following table presents, for the years indicated, the major line items in our consolidated income statement, including such amounts expressed as a percentage of our total turnover:

	Year ended December 31,					
	2006		2007		2008	
					(Restated)	
	HK\$ millions, except percentages		HK\$ millions, except percentages		HK\$ millions, except percentages	
		%		%		%
Consolidated income statement						
Continuing operations:						
Turnover	17,923	100.0	20,401	100.0	23,725	100.0
Cost of inventories sold	(2,164)	(12.1)	(2,671)	(13.1)	(2,785)	(11.7)
Staff costs	(1,897)	(10.5)	(2,295)	(11.2)	(2,511)	(10.6)
Depreciation and amortization	(3,804)	(21.2)	(4,226)	(20.7)	(4,588)	(19.3)
Other operating expenses	(8,685)	(48.5)	(10,182)	(49.9)	(12,441)	(52.5)
	1,373	7.7	1,027	5.1	1,400	5.9
Impairment charge for Thailand segment	—	0.0	(3,854)	(18.9)	—	0.0
Profit on disposal of investments and others, net	44	0.2	8	0.0	1,497	6.3
Operating profit/(loss)	1,417	7.9	(2,819)	(13.8)	2,897	12.2
Interest income	66	0.4	1,619	7.9	1,074	4.5
Interest and other finance costs	(1,652)	(9.2)	(1,335)	(6.5)	(1,418)	(6.0)
Share of results after tax of jointly-controlled entities	—	0.0	—	0.0	(11)	(0.0)
Share of results of associates	(1)	(0.0)	—	0.0	—	0.0
(Loss)/Profit before taxation	(170)	(0.9)	(2,535)	(12.4)	2,542	10.7
Taxation	(653)	(3.7)	(191)	(1.0)	(874)	(3.7)
(Loss)/Profit for the year from continuing operations	(823)	(4.6)	(2,726)	(13.4)	1,668	7.0
Discontinued operations:						
Profit from discontinued operations	2,399	13.4	70,502	345.6	—	0.0
Profit for the year	1,576	8.8	67,776	332.2	1,668	7.0
Attributable to:						
Equity holders of the Company:						
- continuing operations	(1,191)	(6.6)	(3,147)	(15.5)	1,132	4.8
- discontinued operations	1,392	7.7	70,031	343.3	—	0.0
Profit attributable to equity holders of the Company	201	1.1	66,884	327.8	1,132	4.8
Minority interest:						
- continuing operations	368	2.1	421	2.1	536	2.2
- discontinued operations	1,007	5.6	471	2.3	—	0.0
Profit attributable to minority interest	1,375	7.7	892	4.4	536	2.2
Profit for the year	1,576	8.8	67,776	332.2	1,668	7.0

Results of operations for the year ended December 31, 2008 compared to the year ended December 31, 2007

Group results

Turnover

Our turnover from continuing operations in 2008 was HK\$23,725 million (US\$3,061.3 million), an increase of 16.3% from HK\$20,401 million in 2007.

Turnover in our Hong Kong mobile and Israel operations in 2008 grew by 12.6% and 18.6%, respectively, compared to 2007, and together these increases accounted for most of our total turnover growth in 2008. The increase in turnover was mainly attributable to an increase in our customer base and to the favorable foreign exchange impact of the appreciation of the NIS against the Hong Kong dollar.

Our customer base grew 22.0% to 12.1 million as at December 31, 2008, compared to 9.9 million at the end of 2007. We sold our indirect interests in the Ghana operations and migrated temporarily our existing CDMA customers in Vietnam to a third-party network in connection with our switch from CDMA to GSM technology during 2008. Excluding customers in Ghana and Vietnam, the growth in our mobile telecommunications customer base was 27.7% from 9.4 million at the end of 2007. The growth in our customer base was largely driven by a 120.7% growth in our Indonesia operations with more than 2.4 million net additions. Our mobile customer base in Hong Kong and Israel also grew 11.3% and 1.3%, respectively. The increase in 3G customer numbers in our Hong Kong mobile operations was, in part, stimulated by the launch of the iPhone™ 3G in the third quarter of 2008. This resulted in a combined 3G customer base in Hong Kong, Macau and Israel of approximately 2.3 million at the end of 2008, an increase of 33.8% from 1.7 million at the end of 2007.

Operating expenses

The following table presents a breakdown of our operating expenses from continuing operations for the years indicated and the percentage change from year to year:

	Year ended December 31,		Change %
	2007	2008 (Restated)	
	HK\$ millions	HK\$ millions	
Cost of inventories sold	2,671	2,785	4.3
Staff costs	2,295	2,511	9.4
Depreciation and amortization	4,226	4,588	8.6
Other operating expenses	10,182	12,441	22.2
Total operating expenses	19,374	22,325	15.2

Our operating expenses in 2008 increased 15.2% to HK\$22,325 million (US\$2,880.7 million) compared to HK\$19,374 million in 2007. The increase in operating expenses for the year was partly a result of higher turnover in our Hong Kong and Israel operations as well as higher operating expenses incurred from the network expansion in our Indonesia operations and the new GSM network rollout in Vietnam. The appreciation of the NIS against the Hong Kong dollar also contributed to the increase in operating expenses in our Israel operations. These increases were partly offset by a decrease in depreciation and amortization charges in our Thailand operations as a result of the impairment charges on non-current assets taken in 2007.

As a percentage of turnover, our operating expenses decreased to 94.1% of turnover in 2008 compared to 94.9% in 2007.

Our cost of inventories sold consisted primarily of costs of handsets incurred by our operations in Hong Kong and Israel. Cost of inventories sold increased by 4.3% to HK\$2,785 million (US\$359.4 million) in 2008 from HK\$2,671 million in 2007, mainly due to the higher average costs of handsets acquired by customers, particularly 3G handsets.

Staff costs increased by 9.4% to HK\$2,511 million (US\$324.0 million) in 2008 from HK\$2,295 million in 2007. As a percentage of total turnover, staff costs decreased to 10.6% in 2008 from 11.2% in 2007. The increase in staff costs was partly due to a 7.7% increase in the average number of employees of our Israel operations made in response to the growth of business as well as the foreign exchange impact resulting from the appreciation of the NIS against the Hong Kong dollar, offset in part by a 60.5% decrease in share-based compensation charges. The higher share-based compensation charges in 2007 were due to the adjustment of the exercise price of our employee stock options subsequent to the special dividend payment in June 2007.

Depreciation and amortization increased 8.6% to HK\$4,588 million (US\$592.0 million) in 2008 from HK\$4,226 million in 2007. Increases in depreciation and amortization were attributable partly to the accelerated depreciation charges totaling HK\$329 million (US\$42.5 million) of our Vietnam and Israel operations as well as the increase in depreciation and amortization charges in our Indonesia and Hong Kong mobile operations. These increases were offset in part by a decrease in depreciation and amortization charges of our Thailand operations as a result of the impairment charges on non-current assets taken in 2007.

The following table presents a breakdown of our other operating expenses from continuing operations:

	<u>Year ended December 31,</u>		Change %
	2007	2008 (Restated)	
	<u>HK\$ millions</u>	<u>HK\$ millions</u>	
Cost of services provided	6,668	7,673	15.1
General administrative and distribution costs	1,711	1,996	16.7
Operating leases in respect of buildings, hire of plant and machinery	1,392	1,854	33.2
Others	411	918	123.4
Other operating expenses	<u>10,182</u>	<u>12,441</u>	<u>22.2</u>

Our other operating expenses increased 22.2% to HK\$12,441 million (US\$1,605.3 million) in 2008 from HK\$10,182 million in 2007. The main component of our other operating expenses is the cost of services provided (consisting of interconnection, roaming, international termination charges and network operating costs), which increased 15.1% to HK\$7,673 million (US\$990.1 million) in 2008 from HK\$6,668 million in 2007. The increase in interconnection, roaming and international termination charges was mainly due to the growth in our customer base and usage, while the increase in network operating costs was primarily attributable to the expansion of our network in Indonesia. As a result of network expansions, primarily in Indonesia, our mobile network grew 47.1% in 2008, in terms of the number of on-air base stations, compared to 2007, and this resulted in a significant increase in costs of network operation and maintenance, transmissions and lease-lines rentals.

The increase in other operating expenses was also due to a 16.7% increase in general administrative and distribution costs, which increased to HK\$1,996 million (US\$257.6 million) in 2008 from HK\$1,711 million in 2007. The increase in general administrative and distribution costs was driven mainly by the business expansion in Indonesia and increased customer acquisition and retention activities in our Hong Kong mobile operations.

In 2008, operating leases in respect of buildings, hire of plant and machinery increased 33.2% to HK\$1,854 million (US\$239.2 million), compared to HK\$1,392 million in 2007, as a result of the increased number of base station tower facilities leased from other operators or tower companies.

Impairment charge

We did not recognize any impairment charge in accordance with IAS 36 “Impairment of Assets” in 2008. In 2007, we recognized an impairment charge of HK\$3,854 million in connection with our investment in the mobile telecommunications business in Thailand. Our Thailand operations incurred losses since its operations began, and in 2007, our cash flow forecast for this segment indicated that the carrying values of certain non-current assets were not expected to be recoverable from future operating cash flow of the business. We therefore recognized an impairment charge in respect of network equipment, telecommunication licenses and certain non-current assets, in accordance with IAS 36.

Profit on disposal of investments and others, net

Our profit on disposal of investments and others, net increased significantly in 2008, to HK\$1,497 million (US\$193.2 million) from HK\$8 million in 2007. The increase was primarily due to two transactions in our Indonesia operations:

- profit on the sale of 2,248 base station tower sites of HK\$465 million (US\$59.5 million); and
- income of HK\$731 million (US\$93.7 million) in relation to a network supplier’s compensation in the form of credit vouchers.

In addition, a net profit of HK\$298 million (US\$38.5 million) on disposal of our indirect interests in Ghana operations was recognized in the second half of 2008.

Operating profit/(loss)

Our operating profit from continuing operations was HK\$2,897 million (US\$373.8 million) in 2008 compared to an operating loss of HK\$2,819 million in 2007. The change from operating loss in 2007 to operating profit in 2008 was largely due to the sale of base station tower sites and other one-off items recognized in 2008 as profit on disposal of investments and others, net totaling HK\$1,497 million (US\$193.2 million) in 2008 and the impairment charges in respect of our Thailand operations in 2007. Excluding the items described above, the accelerated depreciation charges in our Israel and Vietnam operations of HK\$329 million (US\$42.5 million) in 2008 and an exchange loss of HK\$156 million (US\$20.1 million) arising from our payment of a special dividend in 2008, like-for-like operating profit would have been HK\$1,885 million (US\$243.2 million) in 2008 compared to HK\$1,621 million in 2007. This increase reflected improved operating profits in Israel, Hong Kong and Thailand, partially offset by increased losses in Indonesia and Sri Lanka.

Interest and other finance costs, net

Interest income from continuing operations decreased by 33.7% to HK\$1,074 million (US\$138.6 million) in 2008 from HK\$1,619 million in 2007. Interest income in both years was primarily earned on cash balances resulting from our sale of CGP Investments Holdings. The decrease in interest income in 2008 was mainly due to lower bank deposit rates and the significant drop in cash balances at the beginning of December 2008 after the payment of a special dividend of HK\$33.7 billion (US\$4.3 billion). Interest and other finance costs from continuing operations of HK\$1,418 million (US\$183.0 million) in 2008 were comparable to HK\$1,335 million in 2007. The interest and other finance costs were principally related to our debts, including finance lease obligations, and changes in the fair value of derivative instruments.

(Loss)/Profit before taxation

As a result of the foregoing, we recorded a profit before taxation from continuing operations of HK\$2,542 million (US\$328.0 million) in 2008, compared to a loss of HK\$2,535 million in 2007.

Taxation

Our taxation charge from continuing operations in 2008 was HK\$874 million (US\$112.8 million), a 357.6% increase from HK\$191 million in 2007. The charge for 2008 was comprised of a current taxation charge of HK\$1,025 million (US\$132.3 million) and a deferred taxation credit of HK\$151 million (US\$19.5 million). The charge for 2007 was comprised of a current taxation charge of HK\$690 million and a deferred taxation credit of HK\$499 million. The increase in our current taxation charge in 2008 was mainly attributable to increased taxable income from our Israel operations. The decrease in the net deferred taxation credit compared to 2007 was primarily due to the reversal of a cumulative deferred tax liability in 2007 of HK\$421 million related to our Thailand operations as a result of the impairment charge taken on certain non-current assets.

(Loss)/Profit for the year from continuing operations

As a result of the foregoing, in 2008 we recorded a profit for the year from continuing operations of HK\$1,668 million (US\$215.2 million), compared to a loss for the year from continuing operations of HK\$2,726 million in 2007.

Profit from discontinued operations

We did not dispose of any operations in 2008 that were required to be presented as discontinued operations in accordance with IFRS 5, and no gains or losses from discontinued operations were recorded. In February 2007, we entered into an agreement to sell our entire interests in CGP Investments Holdings, a company that held through various subsidiaries the direct and indirect equity and loan interests in Hutchison Essar (now known as Vodafone Essar Limited) and its subsidiaries. Accordingly, the results pertaining to the Indian mobile telecommunications operations were presented as discontinued operations in accordance with IFRS 5 and a profit from discontinued operations of HK\$70,502 million was recorded in 2007.

Profit attributable to equity holders

Profit attributable to our equity holders in 2008 was HK\$1,132 million (US\$146.1 million), or earnings per share of HK\$0.24 (US\$0.03), compared to a profit attributable to equity holders in 2007 of HK\$66,884 million, or earnings per share of HK\$14.01. Our profit attributable to equity holders in 2007 consisted of a loss from continuing operations attributable to our equity holders of HK\$3,147 million, or a loss per share of HK\$0.66, and a profit from discontinued operations attributable to our equity holders of HK\$70,031 million.

Results of our operating companies

The following table presents a breakdown of turnover from our continuing operations for the years indicated by segment and the percentage of total turnover accounted for by each segment:

	Year ended December 31,			
	2007		2008	
	HK\$ millions	%	HK\$ millions	%
Israel	11,650	57.1	13,813	58.2
Hong Kong mobile	4,775	23.4	5,376	22.7
Hong Kong fixed-line	2,436	11.9	2,693	11.4
Thailand	973	4.8	1,192	5.0
Indonesia	117	0.6	315	1.3
Others:				
Ghana	194	1.0	123	0.5
Sri Lanka	189	0.9	160	0.7
Vietnam	40	0.2	18	0.1
Others	27	0.1	35	0.1
Total others:	450	2.2	336	1.4
Turnover	20,401	100.0	23,725	100.0

The following table presents a breakdown of operating expenses from our continuing operations for the years indicated by segment and the percentage of total operating expenses accounted for by each segment:

	Year ended December 31,			
	2007		2008 (Restated)	
	HK\$ millions	%	HK\$ millions	%
Israel	9,461	48.8	10,836	48.5
Hong Kong mobile	4,328	22.3	4,944	22.2
Hong Kong fixed-line	2,194	11.3	2,361	10.6
Thailand	1,581	8.2	1,112	5.0
Indonesia	743	3.8	1,864	8.3
Others:				
Ghana	214	1.1	136	0.6
Sri Lanka	125	0.7	167	0.8
Vietnam	319	1.7	538	2.4
Others	409	2.1	367	1.6
Total others	1,067	5.6	1,208	5.4
Operating expenses	19,374	100.0	22,325	100.0

The following table presents, for the years indicated, a breakdown of operating (loss)/profit by segment, impairment charges, profit on disposal of investments and others, net, from our continuing operations and the percentage of total operating profit before disposal of investments and others accounted for by each segment:

	Year ended December 31,			
	2007		2008 (Restated)	
	HK\$ millions	%	HK\$ millions	%
Israel	2,189	213.1	2,977	212.6
Hong Kong mobile	447	43.5	432	30.9
Hong Kong fixed-line	242	23.6	332	23.7
Thailand	(608)	(59.2)	80	5.7
Indonesia	(626)	(61.0)	(1,549)	(110.6)
Others:				
Ghana	(20)	(1.9)	(13)	(0.9)
Sri Lanka	64	6.2	(7)	(0.5)
Vietnam	(279)	(27.2)	(520)	(37.2)
Others	(382)	(37.1)	(332)	(23.7)
Total others	(617)	(60.0)	(872)	(62.3)
Operating profit before disposal of investments and others	1,027	100.0	1,400	100.0
Impairment charge for Thailand segment	(3,854)		—	
Profit on disposal of investments and others, net	8		1,497	
Operating (loss)/profit	(2,819)		2,897	

Israel. Our Israel operations accounted for 58.2% of our total turnover in 2008 compared to 57.1% in 2007. Turnover in our Israel operations grew by 18.6% to HK\$13,813 million (US\$1,782.3 million) in 2008 compared to HK\$11,650 million in 2007. Turnover growth was primarily driven by the favorable currency exchange movements of the NIS against the Hong Kong dollar. The growth was also attributable to the increase in customer base, especially in 3G customers who typically have a higher average revenue per user, higher average minutes of use per user and higher content and data revenues. This higher level of turnover was partially offset by a decrease in interconnect income as a result of the mandated reduction in interconnect charges by the Ministry of Communications of Israel. The customer base of our Israel operations increased 1.3% to 2,898,000 at the end of 2008 from 2,860,000 at the end of 2007. As at December 31, 2008, the 3G customer base of our Israel operations represented 32.8% of our total customer base in Israel.

Operating expenses increased by 14.5% to HK\$10,836 million (US\$1,398.2 million) in 2008 from HK\$9,461 million in 2007, due partly to the foreign exchange impact of the appreciation of the NIS against the Hong Kong dollar during 2008, as well as an accelerated depreciation charge of HK\$162 million (US\$20.9 million) resulting from an agreement entered into with LM Ericsson Israel Ltd in December 2007 to replace certain 3G equipment.

As a percentage of turnover, operating expenses decreased to 78.4% in 2008 compared to 81.2% in 2007.

As a result of the factors discussed above, operating profit before profit on disposal of investments and others, net from our Israel operations increased 36.0% to HK\$2,977 million (US\$384.1 million) in 2008, compared to HK\$2,189 million in 2007.

Hong Kong mobile. Our Hong Kong mobile operations accounted for 22.7% of our total turnover in 2008, around the same level as in 2007, when our Hong Kong mobile operations accounted for 23.4% of our total turnover. Turnover from our Hong Kong mobile operations increased 12.6% to HK\$5,376 million (US\$693.7 million) in 2008 from HK\$4,775 million in 2007. Turnover growth was driven primarily by a larger customer base, which resulted in increased voice, inbound and outbound roaming and data and content revenues. Our customer base in Hong Kong and Macau increased by 11.3% to 2.7 million at year-end 2008 from 2.4 million at the end of 2007. At the end of 2008, we had approximately 2.4 million customers in Hong Kong and 305,000 customers in Macau. Boosted by the launch of the iPhone™ 3G in the third quarter of 2008, the 3G customer base of our Hong Kong mobile operations increased 24.2% year-on-year to 1.3 million at the end of 2008. As at December 31, 2008, the 3G customer base represented 49.6% of our mobile customer base of our Hong Kong mobile operations.

Operating expenses for the Hong Kong mobile operations increased by 14.2% to HK\$4,944 million (US\$637.9 million) in 2008 from HK\$4,328 million in 2007, due primarily to higher interconnection costs and amortization charges for capitalized customer acquisition and retention costs.

Operating profit from our Hong Kong mobile operations slightly decreased by 3.4% to HK\$432 million (US\$55.7 million) in 2008, compared to HK\$447 million in 2007.

Hong Kong fixed-line. Our Hong Kong fixed-line operations accounted for 11.4% of our total turnover in 2008, compared to 11.9% in 2007. Turnover from our Hong Kong fixed-line operations increased 10.6% to HK\$2,693 million (US\$347.5 million) in 2008 from HK\$2,436 million in 2007. Our fixed-line operations in Hong Kong consist of three market segments: international and carrier business, corporate and business market, and residential market. The international and carrier business and the corporate and business market recorded growth in turnover of 24.8% and 11.3%, respectively, in 2008, but there was a slight decrease in revenue in the residential market as a result of the intense market competition and shrinking of the residential voice market in Hong Kong.

Operating expenses increased 7.6% to HK\$2,361 million (US\$304.6 million) in 2008 from HK\$2,194 million in 2007. The increase was mainly due to increases in IDD charges and leased line rentals.

As a result of the factors discussed above, operating profit from our Hong Kong fixed-line operations increased by 37.2% to HK\$332 million (US\$42.8 million) in 2008 from HK\$242 million in 2007.

Thailand. Our Thailand operations accounted for 5.0% of our total turnover in 2008, compared to 4.8% in 2007. Turnover in 2008 increased to HK\$1,192 million (US\$153.8 million) from HK\$973 million in 2007. The increase in turnover was mainly driven by a 9.4% year-on-year increase in the customer base to 1.1 million at the end of 2008 from 978,000 at the end of 2007.

Operating expenses decreased 29.7% to HK\$1,112 million (US\$143.5 million) in 2008 from HK\$1,581 million in 2007, primarily due to the decrease in depreciation and amortization. As a result of the impairment charges on certain non-current assets in 2007, the depreciation charge in 2008 reflected only the charges for the non-current assets acquired in 2008.

The operating profit from our Thailand operations was HK\$80 million (US\$10.3 million) in 2008, compared to a loss after impairment charge of HK\$4,462 million in 2007. The change from operating loss in 2007 to operating profit in 2008 was primarily due to the impairment charge of HK\$3,854 million on non-current assets recognized in 2007, which also resulted in a significant reduction in depreciation and amortization charges in 2008.

Indonesia. We launched operations in Indonesia in the first half of 2007. In 2008, we expanded our network coverage to the island of Sulawesi, achieving a customer base of 4.5 million at the end of 2008, with more than 2.4 million net additions during 2008. Prepaid customers accounted for 99.8% of the total customer base. As at December 31, 2008, the geographic area covered by our network included over 67% of the total population of Indonesia.

Turnover in 2008 increased to HK\$315 million (US\$40.6 million) from HK\$117 million in 2007, mainly driven by increases in customer base and SMS usage. Turnover for the year reflected a full year operations in 2008, compared to a partial year in 2007, since the service launched in the first half of 2007.

Operating expenses increased to HK\$1,864 million (US\$240.5 million) in 2008 from HK\$743 million in 2007. Depreciation and amortization amounted to HK\$396 million (US\$51.1 million) in 2008, compared to HK\$151 million in 2007. The increase in depreciation in 2008 reflected a full year charge on fixed assets and the higher level of capital expenditure recognized during the year. Amortization charges were recorded in respect of the 3G license, which has been capitalized as an intangible asset and amortized on a straight-line basis over the life of the license.

The number of on-air base stations increased from 2,256 at the end of 2007 to over 6,300 by the end of 2008, resulting in higher operating costs, including higher network operation and maintenance costs, higher operating lease costs due to an increase in the number of base station tower sites that are leased from third-party operators and tower companies, and increased managed service costs and frequency fee charges. In addition, we incurred higher retail branding costs for various sales and marketing programs throughout the year.

In March 2008, we entered into a conditional Tower Transfer Agreement to sell up to 3,692 base station tower sites for cash consideration of US\$500.0 million (HK\$3,882 million). Completion of the sale is expected to occur in tranches over a two-year period. The sale of the first and second tranches comprising 2,248 base station tower sites were completed and a total gain from the sale of HK\$1,421 million (US\$182.2 million) was generated from these transactions, of which the profit attributable to the portion of the capacity of the base station tower sites sold under the Tower Transfer Agreement that has not been leased back by HCPT amounting to HK\$426 million (US\$54.6 million) was recognized in the income statement upon completion of the sale and HK\$995 million (US\$127.6 million) was deferred. Of the amount of the deferred gain, HK\$39 million (US\$4.9 million) was amortized to the income statement in 2008.

We also recognized a gain of HK\$731 million (US\$93.7 million) as other income relating to compensation received by our Indonesia operations from a network supplier in the form of credit vouchers. We utilized some of the vouchers during 2008 and expect to utilize the remaining vouchers in an aggregate amount of US\$47.4 million (approximately HK\$370 million) in 2009 and 2010.

As a result of the factors discussed above, our operating loss after the profit on disposal of investments and others, net was HK\$353 million (US\$46.7 million) compared to an operating loss of HK\$626 million in 2007, primarily as a result of the gains totaling HK\$1,196 million (US\$153.2 million) recognized during the year from the sale of base station tower sites and credit vouchers received. Excluding these gains, our Indonesia operations would have reported an operating loss of HK\$1,549 million (US\$199.9 million) in 2008.

Other operations

Sri Lanka. Turnover decreased 15.3% to HK\$160 million (US\$20.6 million) in 2008 from HK\$189 million in 2007. The decrease in turnover was a result of both a 22.3% decrease in our customer base to 887,000 at the end of 2008 from 1.1 million at the end of 2007 and on-going tariff decreases in light of severe competition.

Our Sri Lanka operations recorded operating expenses of HK\$167 million (US\$21.5 million) in 2008, a 33.6% increase compared to HK\$125 million in 2007. The increase in operating expenses was primarily a result of increased network rental and maintenance costs for additional base stations acquired during the year. The number of base stations on-air at the end of 2008 reached 600, an increase of more than 50% compared to 2007. The increase in operating costs was also attributable to increased network site rental expenses and a six-fold increase in cellular and transmission frequency charges by the Telecommunication Regulatory Commission of Sri Lanka in 2008.

As a result of the factors discussed above, our Sri Lanka operations incurred an operating loss of HK\$7 million (US\$0.9 million) in 2008, compared to an operating profit of HK\$64 million in 2007.

Vietnam. In March 2008, we were granted an Investment Certificate from The People's Committee of Hanoi City, that permitted the conversion of the CDMA network to GSM with a renewed operating period of a further 15 years. In connection with this change, we stopped customer recruitment and existing customers were temporarily migrated to a third-party network during the first half of 2008. We launched GSM services in Vietnam in April 2009, under a new brand name, "Vietnamobile."

Due to the difference in technology, some CDMA equipment can, with modifications, be used in the new GSM network, while other CDMA equipment cannot be re-used and therefore will not be used for the entire useful life that had initially been estimated for that equipment. This resulted in recognition of an accelerated depreciation charge of HK\$167 million (US\$21.5 million) on non-reusable CDMA equipment and capitalized expenses to bring the carrying value of these non-reusable assets as at December 31, 2008 down to their fair value less costs to sell.

Operating loss from our Vietnam operations increased to HK\$520 million (US\$67.1 million) in 2008 from HK\$279 million in 2007. This increase was primarily related to costs incurred in rolling out our GSM network.

Others. Turnover in our other operations increased to HK\$35 million (US\$4.5 million) in 2008 from HK\$27 million in 2007. Turnover from other operations primarily included the results of our subsidiary PowerCom Network Hong Kong Limited.

Operating expenses from other operations decreased slightly to HK\$367 million (US\$47.4 million) in 2008 from HK\$409 million in 2007, primarily due to the decrease in share-based payment charges related to the adjustment of the exercise price of our employee stock options subsequent to our payment of a special dividend in 2007, offset by a realized exchange loss relating to the payment of the special cash dividend in December 2008.

As a result of the factors discussed above, operating loss from our other operations decreased to HK\$332 million (US\$42.8 million) in 2008 compared to HK\$382 million in 2007.

Results of Operations for the year ended December 31, 2007 compared to the year ended December 31, 2006

Group results

The following discussion covers both continuing and discontinued operations.

Turnover

Our turnover from continuing operations in 2007 was HK\$20,401 million, an increase of 13.8% from HK\$17,923 million in 2006. Growth mainly came from strong revenue growth in our Israel and Hong Kong operations.

Turnover in our Hong Kong mobile and Israel operations in 2007 grew by 13.7% and 18.9%, respectively, compared to 2006, and together accounted for most of our total turnover growth in 2007. Our Thailand operations experienced a 4.3% decrease in turnover to HK\$973 million in 2007 compared to HK\$1,017 million in 2006.

Our customer base grew by 57% to 9.9 million as at December 31, 2007, compared to 6.3 million at the end of 2006 (excluding those customers in India). Growth in our customer base was primarily the result of launching our services in Indonesia and Vietnam, as well as significant customer growth in Sri Lanka and Thailand. Our customer base in Hong Kong and Israel also grew by 13.5% and 7.2%, respectively, with approximately 409,000 2G customers upgrading to 3G in these two markets. This resulted in a combined 3G customer base in Hong Kong, Macau and Israel of 1.7 million at the end of 2007, an increase of 67.5% from 1.0 million for Hong Kong and Israel at the end of 2006.

Operating expenses

The following table presents a breakdown of our operating expenses from continuing operations for the years indicated and the percentage change from year to year:

	Year ended December 31,		Change %
	2006 HK\$ millions	2007 HK\$ millions	
Cost of inventories sold	2,164	2,671	23.4
Staff costs	1,897	2,295	21.0
Depreciation and amortization	3,804	4,226	11.1
Other operating expenses	8,685	10,182	17.2
Total operating expenses	16,550	19,374	17.1

Our operating expenses in 2007 increased 17.1% to HK\$19,374 million compared to HK\$16,550 million in 2006. The increase in operating expenses was primarily attributable to higher operating expenses incurred in our operations in Vietnam and Indonesia, which commenced operations in 2007. Excluding the costs of HK\$1,062 million related to the launch of operations in Indonesia and Vietnam, in 2007 our operating expenses increased by 11.8% compared to a 12.9% increase in turnover (excluding turnover generated by our operations in Indonesia and Vietnam).

As a percentage of turnover, our operating expenses increased from 92.3% of turnover in 2006 to 94.9% in 2007.

Cost of inventories sold increased by 23.4% to HK\$2,671 million, from HK\$2,164 million in 2006, mainly due to higher sales, particularly 3G sales, where the cost of the handset is typically higher than for 2G sales. Our cost of inventories sold primarily consists of handsets sold by our operations in Hong Kong and Israel.

Staff costs increased by 21.0% to HK\$2,295 million in 2007 from HK\$1,897 million in 2006. As a percentage of total turnover, staff costs increased to 11.2% of turnover in 2007 from 10.5% in 2006. The increase in staff costs was partly due to additional share-based compensation charges of HK\$223 million incurred as a result of our adjustment of the exercise price of our employee stock options subsequent to our payment of a special dividend of HK\$6.75 per share in June 2007. It was also due to a 10.1% increase in our total number of employees, which expanded primarily to support the launch of our operations in Vietnam and Indonesia and general growth in our business activities as well as the payment of a retirement bonus for the former CEO of Partner.

Depreciation and amortization increased 11.1% to HK\$4,226 million in 2007 from HK\$3,804 million in 2006. Increases in depreciation were primarily attributable to our rollout of services in Indonesia and Vietnam. The increase in amortization was also partly due to the full-year amortization in 2007 of the transmission business of Med-1 I.C.1 (1999) Ltd. in Israel, which we acquired in July 2006, as well as additional amortization charges on capitalized operating expenses.

The following table presents a breakdown of our other operating expenses from continuing operations:

	Year ended December 31,		Change %
	2006	2007	
	HK\$ millions	HK\$ millions	
Cost of services provided	5,706	6,668	16.9
General administrative and distribution costs	1,435	1,711	19.2
Operating leases in respect of buildings, hire of plant and machinery	1,233	1,392	12.9
Others	311	411	32.2
Other operating expenses	8,685	10,182	17.2

Our other operating expenses increased 17.2% to HK\$10,182 million in 2007 from HK\$8,685 million in 2006. The main component of our other operating expenses is the cost of services provided (consisting of interconnection, roaming, international termination charges and network operating costs), which increased by 16.9% to HK\$6,668 million in 2007 from HK\$5,706 million in 2006. The increase in interconnection, roaming and international termination charges was mainly due to growth in our customer base and usage, while the increase in network costs was primarily attributable to the expansion of our networks in Indonesia, Vietnam, Sri Lanka and Macau. As a result of these network expansions, our mobile network grew by 40.1% in 2007, in terms of the number of on-air base stations, as compared to 2006, and this resulted in a significant increase in costs of network operation and maintenance, transmissions, cell site rentals and lease-lines rentals.

The increase in our other operating expenses was also partly due to a 19.2% increase in general administrative and distribution costs to HK\$1,711 million in 2007 from HK\$1,435 million in 2006. The increase in general administrative and distribution costs was driven mainly by increased customer acquisition and retention programs in Israel and Hong Kong, the launch of services in Vietnam and Indonesia and the launch of 3G service in Macau. In 2007, operating leases in respect of buildings, hire of plant and machinery increased by 12.9% to HK\$1,392 million, compared to HK\$1,233 million in 2006 mainly as a result of the expansion of our Macau operations and our Hong Kong fixed line operations.

Other operating expenses represented 49.9% of our total turnover in 2007, an increase of 1.4% from 48.5% in 2006. This increase was primarily as a result of increases in operating expenses associated with the launch of operations in Indonesia and Vietnam.

Impairment charge

In 2007, we recognized an impairment charge of HK\$3,854 million in connection with our Thailand operations. Our Thailand operations incurred losses in 2007, and our cash flow forecasts for this segment indicated that the carrying values of certain non-current assets were not expected to be recoverable from future operating cash flow of the business. We therefore recognized an impairment charge in respect of network equipment, telecommunication licenses and certain non-current assets, in accordance with IAS 36 "Impairment of Assets."

Profit on disposal of investments and others, net

Our profit on disposal of investments and others decreased to HK\$8 million in 2007 from HK\$44 million in 2006.

Operating profit/(loss)

As a result of the foregoing, in 2007 we recorded an operating loss of HK\$2,819 million compared to an operating profit of HK\$1,417 million in 2006.

Interest and other finance costs, net

We recorded interest income from interest earned on cash balances of HK\$1,619 million in 2007 compared to HK\$66 million in 2006. The higher level of interest income in 2007 was primarily due to interest we earned on cash balances resulting from our sale of CGP Investments Holdings. Interest and other finance costs decreased 19.2% to HK\$1,335 million in 2007 from HK\$1,652 million in 2006, primarily due to lower levels of gross debt in our Israel, Hong Kong and Thailand operations. Interest income at our corporate office amounted to HK\$1,555 million, compared to zero in 2006; the increase was a result of cash balances retained subsequent to the sale of CGP Investments Holdings. Interest and other finance costs were principally related to our debt and changes in fair value of derivative instruments.

Loss before taxation

As a result of the foregoing, we recorded a loss before taxation of HK\$2,535 million in 2007, compared to a loss of HK\$170 million in 2006.

Taxation

Our taxation charge in 2007 was HK\$191 million, a 70.8% decrease from a charge of HK\$653 million in 2006. The charge for 2007 was comprised of a current taxation charge of HK\$690 million and a deferred taxation credit of HK\$499 million. The increase in our current taxation charge in 2007 was mainly attributable to increased taxable income from our Israel operations. Our higher net deferred taxation credit was primarily due to our reversal of cumulative deferred tax liability charges that reflected temporary differences that had arisen between the base asset value for tax purposes and the carrying value for financial statement purposes of our impaired non-current assets in Thailand.

Loss from continuing operations

Our loss from continuing operations in 2007 was HK\$2,726 million, compared to a loss of HK\$823 million in 2006, primarily due to the HK\$3,854 million impairment charge in respect of our Thailand operations. Excluding the impairment charge in Thailand, which had a net impact of HK\$3,433 million after the reversal of HK\$421 million in deferred tax credits, we would have recorded a profit from continuing operations of HK\$707 million.

Profit from discontinued operations

In February 2007, we entered into an agreement to sell our entire interests in CGP Investments Holdings, a company which held through various subsidiaries the direct and indirect equity and loan interests in Hutchison Essar and its subsidiaries, to a wholly-owned subsidiary of Vodafone, for a cash consideration of approximately US\$11,074 million (approximately HK\$86.6 billion). Accordingly, the results pertaining to the Indian mobile telecommunications operations were presented as discontinued operations in accordance with IFRS 5.

Discontinued operations contributed HK\$70,502 million to our profit for 2007. This amount was comprised of HK\$1,159 million from operating activities through May 8, 2007 and HK\$69,343 million from the gain on disposal of CGP Investments Holdings.

Profit attributable to equity holders

Profit attributable to our equity holders in 2007 was HK\$66,884 million, or earnings per share of HK\$14.01. We recorded a loss of HK\$3,147 million, or loss per share of HK\$0.66, from continuing operations and a profit of HK\$70,031 million from discontinued operations.

Results of our operating companies

The following table presents a breakdown of turnover from our continuing operations by segment and the percentage of total turnover accounted for by each segment for the years indicated:

	Year ended December 31,			
	2006		2007	
	HK\$ millions	%	HK\$ millions	%
Israel	9,796	54.7	11,650	57.1
Hong Kong mobile	4,199	23.4	4,775	23.4
Hong Kong fixed-line	2,406	13.4	2,436	11.9
Thailand	1,017	5.7	973	4.8
Indonesia	—	0.0	117	0.6
Others:				
Ghana	130	0.7	194	1.0
Sri Lanka	124	0.7	189	0.9
Vietnam	—	0.0	40	0.2
Others	251	1.4	27	0.1
Total others	505	2.8	450	2.2
Turnover	17,923	100.0	20,401	100.0

The following table presents a breakdown of operating expenses for the years indicated by segment and the percentage of operating expenses accounted for by each segment:

	Year ended December 31,			
	2006		2007	
	HK\$ millions	%	HK\$ millions	%
Israel	8,088	48.9	9,461	48.8
Hong Kong mobile	3,952	23.9	4,328	22.3
Hong Kong fixed-line	2,147	13.0	2,194	11.3
Thailand	1,518	9.2	1,581	8.2
Indonesia	124	0.7	743	3.8
Others:				
Ghana	174	1.0	214	1.1
Sri Lanka	89	0.5	125	0.7
Vietnam	46	0.3	319	1.7
Others	412	2.5	409	2.1
Total others	721	4.3	1,067	5.6
Operating expenses	16,550	100.0	19,374	100.0

The following table presents, for the years indicated, a breakdown of operating profit/(loss) by segment, impairment charges, profit on disposal of investments and others, net, and the percentage of total operating profit accounted for by each segment:

	Year ended December 31,			
	2006		2007	
	HK\$ millions	%	HK\$ millions	%
Israel	1,708	124.4	2,189	213.1
Hong Kong mobile	247	18.0	447	43.5
Hong Kong fixed-line	259	18.9	242	23.6
Thailand	(501)	(36.5)	(608)	(59.2)
Indonesia	(124)	(9.0)	(626)	(61.0)
Others:				
Ghana	(44)	(3.2)	(20)	(1.9)
Sri Lanka	35	2.5	64	6.2
Vietnam	(46)	(3.4)	(279)	(27.2)
Others	(161)	(11.7)	(382)	(37.1)
Total others	(216)	(15.8)	(617)	(60.0)
Operating profit before disposal of investments and others	1,373	100.0	1,027	100.0
Impairment charge for Thailand segment	—		(3,854)	
Profit on disposal of investments and others, net	44		8	
Operating profit/ (loss)	1,417		(2,819)	

Israel. Our Israel operations accounted for 57.1% of total turnover in 2007 compared to 54.7% of total turnover in 2006. Turnover in our Israel operations grew by 18.9% to HK\$11,650 million in 2007 compared to HK\$9,796 million in 2006. Turnover growth was primarily due to customer growth, especially in 3G customers, who typically have a higher ARPU, and business customers, higher average minutes of use per user and an increase in content and data revenues. This higher level of turnover was partially offset by a decrease in average revenue per minute caused by regulatory measures mandating a reduction of approximately 10% in interconnect tariffs and a new regulation restricting our ability to charge for calls directed to voice mail. The growth in turnover also benefited from favorable exchange rates for the NIS against the Hong Kong dollar; in local currency terms, turnover growth was 9.0%. At the end of 2007, our Israel operations customer base increased by 7.2% to 2.9 million from 2.7 million at the end of 2006. As at December 31, 2007, the 3G customer base of our Israel operations represented 22.1% of our total customer base in Israel.

Operating expenses increased by 17.0% to HK\$9,461 million in 2007 from HK\$8,088 million in 2006, primarily due to higher distribution and commission expenses and increased provisions for doubtful accounts from receivables on handset sales and service revenues. In addition, there were significant expenses in respect of a retirement bonus for the former CEO of Partner as well as a reduction in interconnection rates and royalty charges.

As a result of the factors discussed above, operating profit from our Israel operations increased 28.2% to HK\$2,189 million in 2007, compared to HK\$1,708 million in 2006.

Hong Kong mobile. Our Hong Kong mobile operations accounted for 23.4% of total turnover in 2007, the same percentage as in 2006. Turnover from our mobile operations in Hong Kong increased by 13.7% to HK\$4,775 million in 2007 from HK\$4,199 million in 2006. Turnover growth was primarily due to customer growth, especially in 3G customers, and higher ARPU as a result of more 3G customers, higher data and content revenues and increased roaming revenues. Our customer base in Hong Kong and Macau increased by 13.5% to 2.4 million at year-end 2007 from 2.1 million at the end of 2006. At the end of 2007, we had approximately 2.1 million customers in Hong Kong and 283,000 in Macau. As at December 31, 2007, our 3G customer base of 1.1 million represented 44.5% of the total customer base in Hong Kong and Macau and compared to 0.7 million at the end of 2006.

Operating expenses increased by 9.5% to HK\$4,328 million in 2007 from HK\$3,952 million 2006, due in part to the share-based payment charge related to the adjustment of the exercise price of our employee stock options subsequent to our payment of a special dividend in June 2007, a portion of which was allocated to employees of our Hong Kong mobile operations. We also incurred higher customer acquisition and retention costs and a corresponding increase in the amortization of capitalized customer acquisition and retention costs. Higher network and IT operating expenses were incurred in rolling out our 3G network in Macau.

As a result of the factors discussed above, operating profit from our Hong Kong mobile operations increased by 81.0% to HK\$447 million in 2007, compared to HK\$247 million in 2006.

Hong Kong fixed-line. Our fixed-line operations accounted for 11.9% of total turnover in 2007, compared to 13.4% in 2006. Turnover in Hong Kong fixed-line operations increased 1.2% to HK\$2,436 million in 2007 from HK\$2,406 million in 2006. Our fixed-line operations in Hong Kong are grouped into three segments: international and carrier business, corporate and business market, and residential market. During 2007, all three of these segments experienced growth in turnover.

Operating expenses increased by 2.2% to HK\$2,194 million in 2007 from HK\$2,147 million in 2006, due in part to the share-based payment charge related to the adjustment of the exercise price of our employee stock options subsequent to our payment of a special dividend in June 2007, a portion of which was allocated to employees of our Hong Kong fixed-line operations. We also incurred higher costs associated with network outsourcing activities and an increase in the amortization charge of capitalized costs as a result of a change in the estimated customer contract life.

As a result of the factors discussed above, operating profit from our Hong Kong fixed-line operations decreased by 6.6% to HK\$242 million in 2007 from HK\$259 million in 2006.

Thailand. Our Thailand operations accounted for 4.8% of total turnover in 2007, compared to 5.7% in 2006. Turnover in our Thailand operations decreased to HK\$973 million in 2007 from HK\$1,017 million in 2006. The decrease in turnover was mainly a result of the change in customer mix towards more prepaid customers and a decline in blended ARPU. As at December 31, 2007, our customer base had risen to 978,000, an increase of 34.3% compared to 728,000 at the end of 2006. The increase in customer base was due to a 45.3% increase in prepaid customers and a 19.6% increase in postpaid customers. At the end of 2007, our prepaid customer base represented 62.0% of our total customer base in Thailand, compared to 57.3% at the end of 2006. Prepaid customers generally have lower ARPU than postpaid customers.

Operating expenses increased by 4.2% to HK\$1,581 million in 2007 from HK\$1,518 million in 2006, primarily due to the appreciation of the Thai Baht and increases in outsourcing and advertising costs, as well as higher customer acquisition and retention costs. During the second half of 2007, we took a provision of HK\$60 million in respect of certain flow-through charges for regulatory license fees levied on CAT Telecom and which CAT Telecom passed on to us.

The operating loss from our Thailand operations was HK\$4,462 million in 2007, compared to HK\$501 million in 2006. The loss was primarily a result of an impairment charge of HK\$3,854 million that we recognized in 2007, relating to our non-current assets in Thailand in accordance with IAS 36.

Indonesia. We launched operations in Indonesia in the first half of 2007 and recorded turnover of HK\$117 million for the year. Our customer base in Indonesia grew to 2.0 million by the end of 2007, with more than 99.8% of the customer base in the prepaid segment. Our business in Indonesia is still in the initial expansion phase, where we are working to expand service coverage and are offering heavily discounted promotions to support initial growth in customer base.

Operating expenses increased to HK\$743 million in 2007 from HK\$124 million in 2006. With the launch of operations, we commenced recognizing depreciation and amortization expenses, which amounted to HK\$151 million in 2007. Depreciation expenses were recognized on the network and other assets and amortization expenses were recorded in respect of the 3G license, which has been capitalized under IAS 32 "Financial Instruments: Presentation" as an intangible asset and was amortized on a straight line basis over the life of the license. In addition, we incurred costs resulting from the first year of operations since the date of launch in 2007, including higher rental and transmission costs for base station sites, higher market and advertising costs associated with the launch of the service, and higher sales and distribution costs, including costs associated with customer acquisition and subsidies.

Operating loss from our Indonesia operations increased to HK\$626 million in 2007 from HK\$124 million in 2006. These losses were primarily a result of costs related to the launch of service in 2007.

Other operations

Ghana. Turnover in our Ghana operations increased by 49.2% to HK\$194 million in 2007 from HK\$130 million in 2006. The strong growth for the year was mainly driven by the growth in the customer base, which more than offset lower ARPU. Our customer base increased to approximately 289,000 at the end of 2007, 44.5% higher than our customer base of approximately 200,000 at the end of 2006, mainly due to improvements in the quality of handsets we offered and our implementation of new marketing strategies. The lower ARPU was primarily a result of declining minutes of use per user.

Operating expenses were HK\$214 million in 2007, a 23.0% increase from HK\$174 million in 2006. The growth in operating expenses was partially due to higher network and operating costs as a result of the increase in the size of our network, higher marketing and advertising costs and higher customer acquisition costs, as well as higher general and administrative expenses.

As a result of the factors discussed above, operating losses from our Ghana operations decreased by 54.5% to HK\$20 million in 2007 from HK\$44 million in 2006.

Sri Lanka. Turnover increased 52.4% to HK\$189 million in 2007 from HK\$124 million in 2006. The growth was driven by a 104.1% increase in our customer base to 1.1 million compared to 559,000 in 2006. The higher number of customers was offset in part by a decline in ARPU in 2007, mainly due to lower minutes of use per user. The decline in minutes of use per user was primarily due to the imposition of a mobile service levy, as well as high inflation in Sri Lanka during 2007.

Our Sri Lanka operations recorded operating expenses of HK\$125 million in 2007, a 40.4% increase over operating costs of HK\$89 million in 2006. The increase in operating expenses was primarily a result of increased costs associated with customer acquisitions and a value-added tax charge for promotional discounts of HK\$6.5 million, which represented 5.2% of our Sri Lanka operations' total operating costs.

As a result of the factors discussed above, operating profit from our Sri Lanka operations increased by 82.9% to HK\$64 million in 2007 from HK\$35 million in 2006.

Vietnam. We launched our Vietnam operations in the first half of 2007 and recorded turnover of HK\$40 million for the year. During the second half of the year, we applied to change our operating license in order to switch from CDMA to GSM services. We were granted an Investment Certificate from the People's Committee of Hanoi City on March 8, 2008 permitting our Vietnam operations, HT Mobile, to convert its CDMA network to GSM. The Investment Certificate is for a period of 15 years and contains a rollout requirement to have 3,000 base station tower sites by March 2009.

We experienced a slow-down in customer acquisition and promotional activity in the second half of 2007 due to the application to change operating license and to severe competition. As at December 31, 2007, we had a customer base of 152,000 users, of which 93.4% were prepaid customers.

Operating expenses increased to HK\$319 million in 2007 from HK\$46 million in 2006. With the launch of operations in 2007, we commenced the recognition of depreciation and amortization expenses related to our Vietnam operations, which amounted to HK\$51 million in 2007. In addition, our Vietnam operations incurred costs resulting from our first year of operations, including higher rental and transmission costs for base station sites, higher market and advertising costs, and higher sales and distribution costs, including costs associated with customer acquisition and handset subsidies.

Operating loss from our Vietnam operations increased to HK\$279 million in 2007 from HK\$46 million in 2006. These losses were primarily a result of costs related to the launch of service in 2007.

Others. Turnover in our other operations decreased to HK\$27 million in 2007 from HK\$251 million in 2006. In 2007, other operations primarily included the results of our subsidiary PowerCom Network Hong Kong Limited. In 2006, other operations also included the results of Vanda IT Solutions, which we sold in 2006. The sale of Vanda IT Solutions in 2006 was the primary reason for the decline from 2006 to 2007.

Our operating expenses from other operations decreased slightly to HK\$409 million from HK\$412 million in 2006. The primary component of operating expenses from other operations was a share-based payment charge related to the adjustment of the exercise price of our employee stock options subsequent to our payment of a special dividend of HK\$6.75 per share in June 2007.

As a result of the factors discussed above, operating loss from our other operations increased to HK\$382 million in 2007 from HK\$161 million in 2006.

Liquidity and Capital Resources

Requirements

Our liquidity and capital requirements relate principally to the following:

- capital expenditures for the build-out and expansion of networks in the markets where we operate, including purchases of fixed assets and licenses;
- costs and expenses relating to the operation of the businesses, including ongoing costs related to network operations, sales and distribution and customer services;
- payments of the principal and interest on debt and dividends; and
- costs associated with our expansion of operations into any new markets in which we may decide to invest.

Capital expenditures

The following table sets forth our capital expenditures by segment for the years indicated:

	Capital expenditures on fixed assets Year ended December 31,			Capital expenditures on other intangible assets Year ended December 31,		
	2006	2007	2008 (Restated)	2006	2007	2008
	HK\$ millions			HK\$ millions		
Israel	848	985	1,191	1	1	—
Hong Kong mobile	284	475	582	453	567	817
Hong Kong fixed-line	466	463	487	32	35	48
Thailand	112	41	34	—	—	—
Indonesia	172	1,794	3,030	1,341	79	—
Others:						
Vietnam	155	799	259	—	—	—
Sri Lanka	53	184	182	—	—	—
Ghana	10	12	—	—	—	—
Others	3	1	4	—	—	—
Total others	221	996	445	—	—	—
Total	<u>2,103</u>	<u>4,754</u>	<u>5,769</u>	<u>1,827</u>	<u>682</u>	<u>865</u>

Capital expenditures on fixed assets

In 2008, our capital expenditures on fixed assets increased 21.4% to HK\$5,769 million (US\$744.4 million) compared to HK\$4,754 million in 2007, primarily due to increased capital expenditures on fixed assets in Indonesia offset in part by a decrease in Vietnam. Capital expenditures in Indonesia increased to HK\$3,030 million (US\$391.0 million) in 2008 from HK\$1,794 million in 2007, reflecting primarily of the sale and leaseback of 2,248 base station tower sites under finance lease arrangements. Capital expenditures in Vietnam decreased to HK\$259 million (US\$33.4 million) in 2008 from HK\$799 million in 2007, mainly as the result of the deferral of some capital expenditures in relation to the new GSM network to 2009, in line with the new GSM services launched in April 2009. Capital expenditures in Israel increased partly because of the continued build-out of the transmission network and the foreign exchange impact of the appreciation of the NIS against the Hong Kong dollar. The increase in capital expenditures on fixed assets in our Hong Kong mobile operations mainly reflected continued investments in network upgrades and expansion to support growth in our customer base, including the rollout of a HSDPA network.

In 2007, our capital expenditure on fixed assets increased to HK\$4,754 million, from HK\$2,103 million in 2006, representing an increase of 126.1%. The increase in capital expenditure on fixed assets was mainly for expansion in our new markets of Indonesia and Vietnam. Capital expenditure in Indonesia increased to HK\$1,794 million from HK\$172 million in 2006 as a result of the rapid expansion of our network in 2007. Capital expenditure in Vietnam increased to HK\$799 million from HK\$155 million in 2006 as a result of the rapid expansion of our network in 2007. Our networks in both Indonesia and Vietnam are being built under turnkey contracts under which payments are linked to the achievement of certain milestones set out in the relevant network supply contract. A significant amount of capital expenditures on fixed assets that were completed during 2007 have not been reflected in our consolidated financial statements because the milestones specified in the contracts were not reached by the end of the year. Consequently, capital expenditure figures did not fully reflect the progress of the underlying network rollout in Indonesia and Vietnam. Capital expenditure in Israel increased in part in connection with the continued build-out of Partner's transmission network. The increase in capital expenditure on fixed assets in Hong Kong mobile operations mainly reflected the capital expenditure incurred for the rollout of our 3G network in Macau.

Capital expenditures on other intangible assets

Capital expenditures on other intangible assets were comprised mainly of telecommunications licenses, customer acquisition and retention costs, and costs associated with brand building and expanding our customer base.

In 2008, our capital expenditures on other intangible assets increased 26.8% to HK\$865 million (US\$111.6 million) from HK\$682 million in 2007. The increase was mainly due to an increase in capitalized customer acquisition and retention costs in our Hong Kong mobile operations.

In 2007, our capital expenditure on other intangible assets decreased 62.7% to HK\$682 million from HK\$1,827 million in 2006. The decrease was mainly due to the capitalization of telecommunications licenses in Indonesia, which decreased to HK\$79 million in 2007 from HK\$1,341 million in 2006. In 2006, our capital expenditure on other intangible assets represented an initial recognition of the net present value of telecommunications licenses, principally in Indonesia, whereas in 2007 it represented only interest capitalization. The decrease in capitalization charges to licenses was offset in part by an increase in customer acquisition and retention costs to HK\$602 million from HK\$485 million in 2006 from our Hong Kong mobile and Hong Kong fixed-line operations.

In 2009, we expect to continue to invest in Indonesia and Vietnam to strengthen our position in these markets. We anticipate our capital expenditures in 2009, excluding Hong Kong and Macau operations, to be approximately HK\$7 billion (US\$ 0.9 billion) with the majority expected to be spent in Indonesia and Vietnam.

Cash balances and outstanding debt

Our net debt balance was HK\$9,561 million (US\$1,233.7 million) as at December 31, 2008, comprising cash and cash equivalents of HK\$2,525 million (US\$325.8 million) and borrowings of HK\$12,086 million (US\$1,559.5 million). The following table presents a breakdown by segment of cash and cash equivalents, total debts and net cash/(debt) as at December 31, 2008:

	As at December 31, 2008		
	Total debts (Restated)	Cash and cash equivalents	Net cash /(debt) (Restated)
	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong mobile	(5,215)	155	(5,060)
Hong Kong fixed-line	—	105	105
Israel	(4,479)	377	(4,102)
Thailand	(358)	13	(345)
Indonesia	(2,034)	27	(2,007)
Others	—	1,848	1,848
Total	(12,086)	2,525	(9,561)

Our cash and cash equivalents were denominated as a percentage of our total cash and cash equivalents at December 31, 2008 as follows:

HK\$	NIS	THB	USD	Others	Total
16.5%	14.9%	0.6%	62.5%	5.5%	100.0%

For the period from January 1, 2008 to December 1, 2008, our average cash balance was HK\$37,930 million (US\$4,894.3 million). Following our payment of the special dividend on December 2, 2008 in an amount of HK\$33.7 billion (US\$4.3 billion), our cash balance at the end of the year was reduced to HK\$2,525 million (US\$325.8 million).

We invest our cash with banks having a minimum credit rating of AA-/Aa3, unless our board of directors has specially authorized deposits in a lower-rated bank, principally in short duration money market deposits primarily in U.S. dollars. Risk on these deposits is managed under concentration limits that take account of banks' current short and medium term credit-rating profile.

As at December 31, 2008, our total gross debt was HK\$12,086 million (US\$1,559.5 million), a 9.7% increase from HK\$11,020 million as at December 31, 2007. As at December 31, 2007 and 2008, the ratio of our total gross debt to total assets was 14.4% and 27.1%, respectively. The increase in the ratio of our total debt to total assets was mainly due to the drop in our closing cash balance in 2008 to HK\$2,525 million (US\$325.8 million), compared to HK\$36,611 million in 2007, resulting primarily from the payment of the special cash dividend in December 2008 and the finance lease arrangement in Indonesia operations in relation to the sale and leaseback of base station tower sites.

During 2008, our Hong Kong mobile operations increased the balance of its bank loan to finance the repayment of an intercompany loan from the Hong Kong fixed-line operations. Our Indonesia operations repaid almost half of their outstanding vendor loans by utilizing the proceeds from the sale of certain base station tower sites.

As at December 31, 2008, 63.3%, or HK\$7,652 million (US\$987.4 million), of our total borrowings were repayable within one year, primarily from our Hong Kong mobile, Israel and Indonesia operations. As at December 31, 2007, 46.1% of our total borrowings, or HK\$5,083 million, were repayable within one year.

We expect to meet our current and future financing needs primarily through cash flow from our operating activities, borrowings by our subsidiaries from banks based on guarantees and/or pledges provided by us and borrowings from members of the Hutchison Whampoa group.

The following table presents information regarding our outstanding bank loans and other interest-bearing third-party borrowings and debentures as at December 31, 2008 by segment.

Segment	Fixed/floating interest rate	Maturity	Currency	Committed facility (Restated) HK\$ millions	Current portion HK\$ millions	Non-current portion (Restated) HK\$ millions	Total (Restated) HK\$ millions
Israel	Fixed	Apr 09	USD	7 ⁽¹⁾	7	—	7
	Fixed	Dec 11	NIS	15 ⁽¹⁾	5	10	15
	Floating	Mar 09 - Mar 12	NIS	5,066 ⁽²⁾	1,138	3,319	4,457
Hong Kong mobile	Floating	May 09	HK\$	9,000	5,215	—	5,215
Thailand	Floating	Jan 09 - Aug 09	THB	583	301	—	301
	Floating	Mar 10	USD	69	38	19	57
Indonesia	Floating	Apr 09	USD	2,335	948	—	948
	Fixed	Oct 21	USD	1,086 ⁽¹⁾	—	1,086	1,086
Total				18,161	7,652	4,434	12,086

(1) Includes finance lease obligations as at December 31, 2008.

(2) Includes floating rate notes as at December 31, 2008.

Our existing HK\$9 billion (US\$1.2 billion) bank revolving credit and term loan facility expired on May 14, 2009. During 2008, we entered into a secured revolving credit and term loan facility agreement with a maximum aggregate amount of US\$2.5 billion (approximately HK\$19,376 million) from an indirect subsidiary of Hutchison Whampoa at a floating interest rate of LIBOR + 2.45% per annum and a final maturity date of November 15, 2011. This facility is guaranteed by us and Hutchison Telephone HK and is secured by the assets, rights and business and the issued share capital of us, Hutchison Telephone HK and any of our and Hutchison Telephone HK's respective subsidiaries that are identified for this purpose. The agreement in respect of this facility was amended and restated subsequent to the year ended December 31, 2008. We refer you to "Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions – Credit Facility" in the original filing for more information about the Amended and Restated Facility Agreement. As at December 31, 2008, we had not utilized this facility.

The following tables present our outstanding bank loans and other interest-bearing third-party borrowings by segment, as well as information regarding maturities and interest expenses, for the years ended December 31, 2007 and 2008 in respect of such debt:

	As at and for the year end December 31, 2007			
	Current portion HK\$ millions	Non-current portion HK\$ millions	Total borrowings HK\$ millions	Interest expenses HK\$ millions
Israel	47	4,072	4,119	283
Hong Kong mobile	4,600	—	4,600	216
Hong Kong fixed-line	4	—	4	123
Thailand	347	57	404	320
Indonesia	—	1,808	1,808	61
Others	85	—	85	14
Total for continuing operations	5,083	5,937	11,020	1,017
Discontinued operations	—	—	—	672
Total	5,083	5,937	11,020	1,689

	As at and for the year end December 31, 2008			
	Current portion	Non-current portion (Restated)	Total borrowings (Restated)	Interest expenses (Restated)
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Israel	1,150	3,329	4,479	385
Hong Kong mobile	5,215	—	5,215	134
Hong Kong fixed-line	—	—	—	—
Thailand	339	19	358	18
Indonesia	948	1,086	2,034	167
Others	—	—	—	3
Total	7,652	4,434	12,086	707

As at December 31, 2008, total borrowings of HK\$69 million (US\$8.9 million), compared to HK\$182 million as at December 31, 2007 were guaranteed by members of the Hutchison Whampoa group. These guaranteed borrowings were in respect of loans to our Thailand operations. Under the terms of a credit support agreement with the Hutchison Whampoa group, we agreed to pay a guarantee fee charged at normal commercial rates. We have also provided a counter-indemnity in favor of Hutchison Whampoa and its related companies in respect of such guarantees, for so long as a guarantee liability remains. The total amount of fees paid to the Hutchison Whampoa group in 2008 in respect of these borrowings was HK\$10 million (US\$1.3 million), compared to HK\$54 million in 2007.

As at December 31, 2008, fixed assets and current assets of certain subsidiaries were used as collateral for certain of our borrowings. As at December 31, 2008, these pledged fixed assets had a carrying value of HK\$1,131 million (US\$145.9 million), compared to HK\$4,971 million as at December 31, 2007. As at December 31, 2008, these pledged current assets had a carrying value of HK\$14 million (US\$1.8 million), compared to HK\$2,398 million as at December 31, 2007. As at December 31, 2008, we had total current borrowings of HK\$7,652 million (US\$987.4 million) and total non-current borrowings of HK\$4,434 million (US\$572.1 million), compared to HK\$5,083 million and HK\$5,937 million, respectively, as at December 31, 2007. Of our current borrowings, HK\$948 million (US\$122.3 million) were secured as at December 31, 2008, compared to HK\$4,600 million as at December 31, 2007. None of our non-current borrowings as at December 31, 2008 were secured, compared to HK\$1,807 million as at December 31, 2007.

During 2007, we provided intercompany loans to our Thailand operations in U.S. dollars totaling HK\$9,327 million to fully repay six outstanding commercial loan facilities with international lenders. In December 2006, the Bank of Thailand imposed unremunerated reserve requirements on the conversion of foreign currency to Thai Baht, which were subsequently removed in March 2008. This affected our ability to freely convert the U.S. dollar proceeds to Thai Baht. To receive an exemption from the unremunerated reserve requirement imposed on conversion of foreign currency loan proceeds to Thai Baht, we entered into forward foreign exchange contracts with various banks in Thailand. As at December 31, 2007, we had US\$1,095 million, outstanding under these forward foreign exchange contracts where we had commitments to sell Thai Baht and buy U.S. dollars at pre-agreed rates. All of these forward foreign exchange contracts were closed out during 2008.

Capital resources

As at December 31, 2008, we had net current liabilities of HK\$8,036 million (US\$1,036.9 million) compared to net current assets of HK\$28,638 million as at December 31, 2007. The change from a net current asset position in 2007 to a net current liability position in 2008 was primarily attributable to a decrease in cash and cash equivalents of HK\$34,021 million (US\$4,389.9 million), as a result of our distribution of a special cash dividend in December 2008 as described above.

The following table sets out our major cash inflows/(outflows):

	For the year ended December 31,		
	2006	2007	2008
	<u>HK\$ millions</u>	<u>HK\$ millions</u>	<u>(Restated)</u> <u>HK\$ millions</u>
Cash flows from operating activities			
Continuing operations:			
(Loss)/Profit before taxation	(170)	(2,535)	2,542
Adjustments for:			
- Interest and other finance costs, net	1,586	(284)	344
- Non-cash items	3,973	8,373	4,727
- Profit on disposal of investments and others, net	(44)	(8)	(1,497)
- Share of results of jointly-controlled entities	—	—	11
- Share of results of associates	1	—	—
- Changes in working capital	(1,276)	(607)	1,171
Cash generated from continuing operations	4,070	4,939	7,298
Interest and other finance costs, net, and taxes paid	(2,010)	53	(646)
Net cash generated from operating activities of continuing operations	2,060	4,992	6,652
Discontinued operations:			
Cash generated from discontinued operations	4,459	782	—
Interest and other finance costs, net, and taxes paid	(1,005)	(786)	—
Net cash generated from/(used in) operating activities of discontinued operations	3,454	(4)	—
Net cash generated from operating activities	<u>5,514</u>	<u>4,988</u>	<u>6,652</u>
Cash flows from investing activities			
Continuing operations:			
Net purchases and disposals of fixed assets	(1,860)	(2,509)	(4,950)
Additions to customer acquisition and retention costs, additions to prepaid capacity and maintenance, advanced payments for network rollout, included in other receivables and prepayment, and changes in long term deposits	(705)	(1,788)	(1,528)
Investments in jointly-controlled entities	—	—	(99)
Increase in interest in subsidiary	—	—	(570)
Upfront and fixed periodic payments for telecommunications licenses	(227)	(296)	(537)
Proceeds from disposal of subsidiaries, net of cash disposed of	2	—	578
Purchase of transmission business	(124)	—	—
Purchase of shares of a subsidiary under a share buy-back plan	—	—	(799)
Proceeds from disposal of base station tower sites	—	—	887
Net cash used in investing activities of continuing operations	(2,914)	(4,593)	(7,018)
Discontinued operations:			
Cash used in investing activities	(12,170)	(4,697)	—
Proceeds from disposal of subsidiaries, net of cash disposed of	—	83,185	—
Net cash (used in)/generated from investing activities of discontinued operations	(12,170)	78,488	—
Net cash (used in)/generated from investing activities	<u>(15,084)</u>	<u>73,895</u>	<u>(7,018)</u>
Cash flows from financing activities			
Continuing operations:			
Net cash flows generated from/(used in) financing activities and decrease in restricted cash	439	(14,045)	1,044
Proceeds from exercise of share options	194	237	111
Dividend paid to the Company's shareholders	—	(32,234)	(33,700)
Net cash flows (to)/from minority shareholders	(259)	14	(1,000)
Settlement and rollover of derivatives	—	—	(110)
Net cash generated from/(used in) financing activities of continuing operations	374	(46,028)	(33,655)
Discontinued operations:			
Net cash generated from financing activities of discontinued operations	8,808	1,708	—
Net cash generated from/(used in) financing activities	<u>9,182</u>	<u>(44,320)</u>	<u>(33,655)</u>
(Decrease)/Increase in cash and cash equivalents	<u>(388)</u>	<u>34,563</u>	<u>(34,021)</u>

Year ended December 31, 2008 compared to the year ended December 31, 2007

Our net cash generated from operating activities in 2008 was HK\$6,652 million (US\$858.3 million), 33.4% higher than the HK\$4,988 million generated in 2007. In 2008, our net cash generated from operating activities was all from continuing operations. In 2007, our net cash generated from operating activities of continuing operations was HK\$4,992 million, and our net cash used in operating activities of discontinued operations was HK\$4 million.

Our net cash generated from operating activities of continuing operations was HK\$6,652 million (US\$858.3 million) in 2008, compared to HK\$4,992 million in 2007. In 2008, our cash generated from continuing operations was primarily a result of our profit before taxation of HK\$2,542 million (US\$328.0 million), as positively adjusted for non-cash and other items of HK\$4,756 million (US\$613.7 million), including primarily depreciation and amortization charges, offset in part by a profit from the sale of base station tower sites of our Indonesia operations, which resulted in cash generated from continuing operations of HK\$7,298 million (US\$941.7 million). This amount was reduced by our net interest and other finance costs and taxes paid of HK\$646 million (US\$83.4 million). In 2007, our cash generated from continuing operations of HK\$4,939 million was primarily a result of our loss before taxation of HK\$2,535 million, as positively adjusted for non-cash and other items of HK\$7,474 million, including primarily an impairment charge for our Thailand operations, depreciation and amortization charges and share-based payment charges related to our adjustment of the exercise price of employee stock options, offset in part by a decrease in working capital. This amount was positively adjusted by our net interest and other finance costs and taxes paid from continuing operations of HK\$53 million, which resulted in net cash generated from continuing operations of HK\$4,992 million.

There was no net cash generated from or used in operating activities of discontinued operations in 2008. Net cash used in operating activities of discontinued operations was HK\$4 million in 2007. This difference was primarily due to the inclusion of partial year results of CGP Investments Holdings in 2007 before our sale of CGP Investments Holdings in May 2007. Our net cash generated from operating activities of discontinued operations in 2007 was a result of cash generated from discontinued operations of HK\$782 million, offset by net interest and other finance costs and taxes paid of HK\$786 million.

Our net cash used in investing activities was HK\$7,018 million (US\$905.6 million) in 2008, compared to net cash generated from investing activities of HK\$73,895 million in 2007. In 2008, net cash used in investing activities related primarily to the net purchases and disposals of fixed assets of HK\$4,950 million (US\$638.7 million), additions to customer acquisition and retention costs, additions to prepaid capacity and maintenance, advanced payments for network rollout, included in other receivables and prepayments, and changes in long term deposits of HK\$1,528 million (US\$197.6 million), purchase of shares of a subsidiary under a share buy-back plan of HK\$799 million (US\$103.1 million), offset in part by the proceeds from the disposal of base station tower sites in our Indonesia operations of approximately HK\$887 million (US\$114.5 million), and an increase in interest in subsidiary of HK\$570 million (US\$73.5 million). The net cash generated from investing activities in 2007 consisted mainly of the proceeds of HK\$83,185 million from our sale of CGP Investments Holdings, which was offset in part by factors including cash used in investing activities of discontinued operations of HK\$4,697 million and cash used in investing activities of continuing operations of HK\$4,593 million.

Our net cash used in financing activities in 2008 was HK\$33,655 million (US\$4,342.6 million), compared to net cash used in financing activities of HK\$44,320 million in 2007. The cash outflow from financing activities in 2008 was mainly attributable to our payment of a special dividend of HK\$33,700 million (US\$4,348.4 million), while the cash outflow in 2007 was mainly attributable to a special dividend of HK\$32,234 million and a net decrease in loans of HK\$14,045 million.

The decrease in our cash and cash equivalents in 2008 was HK\$34,021 million (US\$4,389.9 million), compared to an increase in cash and cash equivalents of HK\$34,563 million in 2007.

Year ended December 31, 2007 compared to the year ended December 31, 2006

Our net cash generated from operating activities in 2007 was HK\$4,988 million, 9.5% lower than the HK\$5,514 million in 2006. In 2007, our net cash generated from operating activities of continuing operations was HK\$4,992 million and our net cash used in operating activities of discontinued operations was HK\$4 million. In 2006, our net cash generated from operating activities of continuing operations was HK\$2,060 million, and our net cash generated from operating activities of discontinued operations was HK\$3,454 million.

Our net cash generated from operating activities of continuing operations was HK\$4,992 million in 2007, compared to HK\$2,060 million in 2006. In 2007, our cash generated from continuing operations was primarily a result of our loss before taxation of HK\$2,535 million, as positively adjusted for non-cash and other items of HK\$7,474 million, including, primarily, an impairment charge for our Thailand operations, depreciation and amortization charges and share-based payment charges related to our adjustment of the exercise price of employee stock options, offset in part by a decrease in working capital, which resulted in cash generated from continuing operations of HK\$4,939 million. This amount was also positively adjusted by our net interest and other finance costs and taxes paid of HK\$53 million. In 2006, our net cash generated from continuing operations of HK\$2,060 million was primarily a result of our loss before taxation of HK\$170 million, as positively adjusted for non-cash and other items of HK\$4,240 million, including primarily those related to depreciation and amortization, which resulted in cash generated from continuing operations of HK\$4,070 million. This amount was reduced by our net interest and other finance costs and taxes paid from continuing operations of HK\$2,010 million.

Net cash used in operating activities of discontinued operations was HK\$4 million in 2007, compared to net cash generated from operating activities of discontinued operations of HK\$3,454 million in 2006. This difference was primarily as a result of the amounts for 2006 including full-year results for the India operations, while the amounts for 2007 include only partial year results for 2007 as a result of our sale of CGP Investments Holdings in May 2007. Our net cash generated from operating activities of discontinued operations in 2007 was a result of cash generated from discontinued operations of HK\$782 million, negatively adjusted by net interest and other finance costs and taxes paid of HK\$786 million. Our net cash generated from operating activities in 2006 was a result of cash generated from discontinued operations of HK\$4,459 million, negatively adjusted by net interest and other finance costs and taxes paid of HK\$1,005 million.

Our net cash generated from investing activities was HK\$73,895 million in 2007, compared to net cash used in investing activities of HK\$15,084 million in 2006. The net cash generated from investing activities in 2007 consisted mainly of the proceeds of HK\$83,185 million from our sale of CGP Investments Holdings, which was offset in part by factors including cash used in investing activities for discontinued operations of HK\$4,697 million and cash used in investing activities for continuing operations of HK\$4,593 million. In 2006, net cash used in investing activities was HK\$15,084 million, primarily as a result of our cash used in investing activities of discontinued operations of HK\$12,170 million, which related primarily to net capital expenditures on fixed assets, and net cash used in investing activities of continuing operations of HK\$2,914 million, which related primarily to the purchase of fixed assets.

Our net cash used in financing activities in 2007 was HK\$44,320 million, compared to net cash generated from financing activities of HK\$9,182 million in 2006. The cash outflow in 2007 was mainly attributable to our payment of a special dividend of HK\$32,234 million and a net decrease in loans of HK\$14,045 million. In 2006, our net cash inflow from financing activities was primarily attributable to cash generated from financing activities of discontinued operations of HK\$8,808 million, which related primarily to loans taken out by subsidiaries of CGP Investments Holdings to fund network build-out and capital contributions made by minority shareholders to a subsidiary of CGP Investments Holdings.

The increase in our cash and cash equivalents in 2007 was HK\$34,563 million, compared to a decrease in cash and cash equivalents of HK\$388 million in 2006.

Contractual Obligations

The following table sets forth selected information regarding our contractual obligations to make future payments as at December 31, 2008:

<u>HK\$ millions</u>	<u>Payment due within</u>				<u>After 5 years (Restated)</u>
	<u>Total (Restated)</u>	<u>1 year</u>	<u>1- 3 years (Restated)</u>	<u>3-5 years (Restated)</u>	
Purchase obligations	11,654	10,509	1,142	3	—
Operating lease obligations	6,425	1,302	1,551	1,043	2,529
Borrowings	12,086	7,652	3,283	652	499
License fees liabilities	2,354	358	729	666	601
Total contractual obligations	32,519	19,821	6,705	2,364	3,629

Our purchase obligations primarily relate to obligations to acquire fixed assets, pursuant mainly to network supply agreements. As at December 31, 2008, 91% of our purchase obligations related to the acquisition of fixed assets for our Indonesia and Vietnam operations for the rollout of the networks in those countries.

Operating lease obligations relate to the leases on land and buildings and other assets, of which 45% represented obligations to rent base station tower sites from certain telecommunication operators by our Indonesia operations as at December 31, 2008.

Borrowings represent our total gross debt as at December 31, 2008. See “— Liquidity and Capital Resources — Cash balances and outstanding debt.”

License fee liabilities relate primarily to our Indonesia and Thailand operations and, to a lesser extent, Hong Kong. In Indonesia and Hong Kong, the 3G licenses, which have been capitalized as intangible assets, are amortized on a straight-line basis over the life of those licenses. In Thailand the minimum guaranteed revenue share payable to CAT Telecom has been capitalized and amortized on a straight-line basis.

Off-balance Sheet Arrangements

In addition to the contractual obligations discussed above, we had certain other commitments that could require us to make payments in the future. These commitments are not included in our consolidated balance sheet.

As at December 31, 2008, we had issued a guarantee for approximately HK\$503 million (US\$64.9 million) to a bank as collateral for the performance bond required by the OFTA in Hong Kong under the terms of a license granted to a subsidiary.

As at December 31, 2008, we also had contingent liabilities in respect of performance guarantees of HK\$50 million (US\$6.5 million) that principally related to guarantees that had been given prior to the disposal of Vanda IT Solutions in July 2006 in favor of counterparties of Vanda IT Solutions and its affiliates under various financing and equipment purchase transactions entered into by them. We are not aware of any circumstance that would require us to perform under these guarantees, which have been counter-indemnified by the purchaser of Vanda IT Solutions, a member of the Hutchison Whampoa group.

In October 2001, our subsidiary in Hong Kong was issued a 3G license with a duration of 15 years. For the first five years of the term of the license, fixed annual license fees were payable. Beginning from the sixth year of the license, variable license fees are payable, with these payments to be equal to the greater of (1) 5% of network turnover in respect of the relevant year and (2) a specified minimum license fee in respect of the relevant year. The net present value of the minimum fee has already been recorded in our consolidated financial statements as license fees liabilities. Under the terms of the license, the actual amount due could be greater than the amount recorded.

Our subsidiary in Israel, Partner, is committed to pay license royalties to the government of Israel based on its “income from cellular services,” as defined in the Israeli Telecommunications (Royalties) Regulations, 2001, which includes all kinds of income of Partner from the provision of telecommunications services under the license—including airtime, roaming services and non-recurring connection fees, but excluding income transferred to another holder of a communications license and deducting bad debts, payments to another communication licensee in respect of interconnection, payments for roaming services to foreign operators and expenses related to the sale of equipment. The rate of royalty payments paid by cellular operators has been reduced annually by 0.5% since January 1, 2006 and will continue to be reduced until it reaches 1%. In 2008, the royalty rate was 2%.

We are required under the relevant shareholders’ agreements relating to the interests in our operating companies in Thailand to provide funding for operating expenses and capital expenditures of the operating companies or the intermediary holding companies through which we hold the interests in these operating companies. To date, we have met these funding obligations primarily by direct funding through shareholders’ loans.

Other Contingent Liabilities

As at December 31, 2008, a total of 18 claims against our subsidiary in Israel, Partner, and, in some such claims, together with other cellular operators in Israel, each with a motion to certify as class action, in respect of the following:

	<u>Amount of claim</u>	
	<u>2007</u>	<u>2008</u>
	(in approximate HK\$ millions)	
Alleged violation of antitrust law	238	246
Alleged consumer complaints	5,025	1,719
Alleged unauthorized erection of cellular antennas, causing environmental damages	<u>1,980</u>	<u>2,050</u>

At this stage, and until the claims are recognized as class actions, we and Partner are unable to evaluate the probability of success of such claims and therefore no provision has been made.

As at December 31, 2008, there is also a potential claim of approximately NIS 42.5 million (approximately HK\$87 million) by the Ministry of Communications in Israel in respect of the past use of a certain frequency band by Partner pursuant to an agreement made between Partner and the Palestinian mobile operator being allocated such frequency band, which agreement was endorsed by the Ministry of Communications.

Factors Affecting Our Results of Operations

In March 2009, our board of directors approved the payment of an interim dividend to be satisfied by way of a distribution in specie of the entire share capital of HTHKH, our indirect wholly-owned subsidiary, conditional on (i) the SEHK approving the proposed spin-off of HTHKH by us and Hutchison Whampoa; and (ii) the SEHK granting approval for the listing of the entire share capital of HTHKH on the Main Board of the SEHK. HTHKH and its subsidiaries operated our mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong. This conditional interim dividend in specie was approved after the December 31, 2008 balance sheet date and has not been recognized as a liability at the balance sheet date. In May 2009, the SEHK approved the spin-off and the separate listing of the entire share capital of HTHKH. The shares of HTHKH were listed on the Main Board of the SEHK on May 8, 2009. As a result of the completion of the spin-off of HTHKH on May 7, 2009, HTHKH is no longer our subsidiary and we no longer have any Hong Kong or Macau operations.

During 2008, the Hong Kong and Macau operations represented 34% of our total turnover, 19% of our total operating profit and 33% of our total operating expenses. In addition, as of December 31, 2008, the Hong Kong and Macau operations accounted for 47% of our total outstanding debt, all of which was effectively assumed by HTHKH upon completion of the spin-off of HTHKH. Following the completion of the spin-off, the results of the Hong Kong and Macau operations for 2008 and prior years will be presented in our consolidated income statement as discontinued operations in the 2009 financial statements.

Critical Accounting Policies

The preparation of financial statements often requires the selection of specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in our consolidated balance sheet, the turnover and expenses in our consolidated income statement and the information that is contained in the significant accounting policies and notes to our consolidated financial statements. Our management continually evaluates its estimates and judgments based on historical experience and other factors, including expectations of future events, that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

We believe that the following are some of the more critical judgment areas in the application of our accounting policies under IFRS that affect our reported financial condition and results of operations. For a further discussion of the application of these and other accounting policies, see note 2 to our consolidated financial statements.

Long-lived Assets

We have substantial investments in tangible and intangible long-lived assets, primarily our mobile and fixed-line telecommunications network equipment and licenses. Changes in technology or changes in our intended use of these assets may cause the estimated period of use or value of these assets to change.

Assets that have an indefinite useful life are not subject to amortization, and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We continually monitor our businesses, markets and business environments and make judgments and assessments about whether such an event has occurred. An impairment loss is recognized with respect to an asset to the extent that the carrying amount of that asset cannot be recovered either by selling the asset or from the discounted future earnings from operating the asset. Such an impairment charge is recognized in our consolidated income statement.

Management judgment is required in the area of asset impairment, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect our reported financial condition and results of operations. In performing the impairment assessment, we also consider the impact of the current economic environment on our operations.

Goodwill

Under IFRS, goodwill represents the excess of the cost of an acquisition over the fair value of our share of the net assets of the acquired subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill on acquisition is reported in our consolidated balance sheet as a separate asset or, as applicable, included within investment in associate and jointly-controlled entity. Goodwill is tested annually for impairment, and it is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. We allocate goodwill to each business segment in each country in which we operate.

Deferred Taxation

Deferred taxation is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in our financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences (including tax losses) can be utilized.

We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carry forward. As at December 31, 2008, we had recognized HK\$368 million (US\$47.5 million) in deferred tax assets.

Income Taxes

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

Depreciation of Fixed Assets

Our business is capital intensive. Depreciation of operating assets constitutes a substantial operating cost for us. The cost of our fixed assets, principally telecommunications and network equipment, is charged to depreciation expense over their estimated useful lives. We depreciate our telecommunications and network equipment using the straight-line method over their estimated useful lives. We periodically review changes in our technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimated remaining useful lives and depreciation rates.

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

Amortization of Telecommunications Spectrum Licenses

We own the rights to use and operate specified spectrums in some jurisdictions over a certain period of time, through annual minimum fees plus a variable portion depending on the future revenues from the services. License fees payments, the discounted value of the fixed annual fees to be paid over the license period, and certain other direct costs incurred prior to the date the asset is ready for its intended use are capitalized. Capitalized license fees are amortized from the date the asset is ready for its intended use until the expiration of the license.

Interest is accreted on the fixed annual fees and charged to interest expense. Variable license fees are recognized as period costs.

Amortization of Telecommunications Customer Acquisition and Retention Costs

Costs to acquire or retain telecommunications customers, which are postpaid (and primarily 3G) customers, pursuant to a contract with early termination penalties are capitalized if (1) such costs are identifiable and controlled; (2) it is probable that future economic benefits will flow from the customers to us; and (3) such costs can be measured reliably. Subsidies on handset sales, which are calculated by deducting the customers' payment towards the handset from the cost of the handset, are included in the customer acquisition and retention costs. Capitalized customer acquisition and retention costs are amortized over the minimum enforceable contractual period, which is generally a period of 18 to 24 months. If a customer leaves our network within the minimum enforceable contractual period, any unamortized customer acquisition or retention costs are written off in the period in which the customer leaves. Costs to acquire prepaid telecommunications customers are expensed in the period incurred.

Revenue Recognition

Our postpaid and prepaid revenues are generated based on tariff plans. Postpaid revenues are recognized when services are rendered and collectibility is reasonably assured, and prepaid revenues are recognized when the services have been used by the prepaid customers or when the services periods have expired.

Sales of handsets are recognized upon delivery to the distributors, dealers or directly to the end customers when they are sold on a standalone basis. When handsets are sold to end customers as part of multiple element arrangements (which typically include the sale of a handset together with a fixed-term service contract), the amount received for the handset up to its fair value is accounted for as revenue from the handset sale upon delivery to the end customers. When handsets are sold to end customers for the purposes of acquiring new customers or retaining existing customers, we subsidize the sale of the handset by selling it at a price below its cost to secure a fixed-term service contract. The handset sale is then treated as a non-revenue-generating transaction and, accordingly, no revenue is recognized from these types of handset sales. The subsidy, which represents the difference between the cost of the handset and the payment received from the customer for the handset, is capitalized as an element of customer acquisition and retention costs.

Sale and Leaseback Transactions

Determining whether a lease transaction is a finance lease or an operating lease requires judgment as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from us. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification of a transaction as a finance lease or an operating lease determines whether the leased asset is treated on-balance sheet or off-balance sheet. 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).

Other Income

We have been granted credit vouchers by a key network supplier for offset against future services and purchases from the supplier. The value of the vouchers is recognized as other income. Judgment is required in determining the fair value of the vouchers and whether the credit voucher should be accounted for as income or as a purchase discount. This determination includes, but is not limited to, an assessment of the nature of the credit vouchers and their grant, the conditions attached to utilization of the vouchers, and the separation of economic events from future purchases.

Recognition as income or as a purchase discount determines whether the credit vouchers are recognized immediately when we become entitled to the right to use them and the contractual obligations of the network supplier are waived, or they are deferred and recognized upon making purchases from the supplier and offset against the purchase invoices.

Recent Accounting Pronouncements

The following new/revised standards, amendments to standards and interpretations to existing standards have been issued but are not effective for the year ended December 31, 2008:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Amendment)	Financial Instruments: Presentation
IAS 1 (Amendment)	Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 (Amendment)	First Time Adoption of IFRS
IFRS 2 (Amendment)	Share-based Payment
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
IFRIC Interpretation 13	Customer Loyalty Programs
IFRIC Interpretation 15	Agreements for the Construction of Real Estate
IFRIC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IFRIC Interpretation 17	Distributions of Non-cash Assets to Owners

IASB's improvements to IFRS, including:

IAS 1 (Amendment)	Presentation of Financial Statements
IAS 2 (Amendment)	Inventories
IAS 7 (Amendment)	Statement of Cash Flows
IAS 16 (Amendment)	Property, Plant and Equipment
IAS 19 (Amendment)	Employee Benefits
IAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23 (Amendment)	Borrowing Costs
IAS 27 (Amendment)	Consolidated and Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates
IAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
IAS 31 (Amendment)	Interests in Joint Ventures
IAS 36 (Amendment)	Impairment of Assets
IAS 38 (Amendment)	Intangible Assets
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
IAS 40 (Amendment)	Investment Property
IAS 41 (Amendment)	Agriculture
IFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations

Apart from the above, there are also a number of minor amendments to IFRS 7, “Financial Instruments: Disclosures,” IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors,” IAS 10, “Events After the Balance Sheet Date,” IAS 18, “Revenue” and IAS 34, “Interim Financial Reporting.”

We did not early adopt any of these new/revised standards, amendments to standards and interpretations to existing standards. We are in the process of assessing the impact of these new/revised standards, amendments to standards and interpretations to existing standards on our results and financial position in the future.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and currency exchange rates. Interest rate risk exists with respect to our financial assets and liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed rate financial assets and liabilities. Exchange rate risk exists with respect to our financial assets and liabilities denominated in currencies other than an entity's functional currency. We are also subject to exchange rate risks with respect to our operations and investments outside Hong Kong. See note 4 to our financial statements.

We manage these risks through a variety of methods, including the use of a number of derivative financial instruments such as cross currency and interest rate swap contracts, as well as forward foreign exchange contracts. All transactions in derivative financial instruments are undertaken for risk management purposes only. No instruments are held by us for speculative purposes.

We are also exposed to counter party and investment risks in respect of our surplus funds. We manage these risks by placing deposits with banks having a minimum credit rating of AA-/Aa3, unless our board of directors has specifically authorized deposits in a lower-rated bank, principally in short duration money market deposits primarily in U.S. dollars. Risk on these deposits is managed under concentration limits that take account of banks' current short and medium term credit-rating profile.

This section contains "forward-looking statements" as described in "Forward-Looking Statements."

Foreign currency exposure

As at December 31, 2007 and 2008, we had approximately HK\$36,404 million (US\$4,668 million) and HK\$2,109 million (US\$272 million), respectively, in cash, short-term investments and marketable securities denominated in currencies other than Hong Kong dollars. These foreign currency denominated financial assets principally included HK\$36,011 million (US\$4,618 million) denominated in U.S. dollars as at December 31, 2007, compared to HK\$1,602 million (US\$207 million) denominated in U.S. dollars as at December 31, 2008.

The following table sets out our borrowings by currency as a percentage of total borrowings:

<u>Currency</u>	<u>As at December 31,</u>	
	<u>2007</u>	<u>2008</u>
		<u>(Restated)</u>
		%
Hong Kong dollars	37.6	43.1
New Israeli Shekels	37.2	37.0
Thai Baht	2.8	2.5
U.S. dollars	22.4	17.4
Total	<u>100.0</u>	<u>100.0</u>

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily those related to borrowings, accounts payable and surplus funds held as bank deposits, primarily denominated in U.S. dollars. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency other than an entity's functional currency.

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-U.S. dollar assets, we generally endeavor to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, we might not borrow in the local currency and may instead monitor the development of the businesses' cash flow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings.

Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimized using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. We may use derivative instruments to manage or adjust our exposures.

Interest rate exposure

Our main interest risk exposures relate to our borrowings. We manage our interest rate exposure of our borrowings with a focus on reducing our overall cost of debt. When considered appropriate, we use interest rate swaps to manage our interest rate exposure. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the hedged debts is adjusted to include the payments made or received under the interest rate swaps.

Partner entered into derivative transactions in order to protect itself against increases in the Israeli CPI, in respect of Israeli CPI-linked notes issued by it. See note 18 to our financial statements.

Our financial assets and liabilities as at December 31, 2007 and 2008 consisted mainly of non-derivative assets and liabilities, which were presented at their fair values. The fair values of our borrowings approximate their fair values since they bear interest at rates close to the prevailing market rates.

The following tables summarize the carrying amounts, fair values, principal cash flows by maturity date and weighted average interest rates of our short-term and long-term liabilities and derivative financial liabilities as at December 31, 2008 that are sensitive to exchange rates or interest rates. Data presented below includes bank loans, other third-party borrowings, cross currency swaps and forward foreign exchange contracts:

	December 31, 2008 Maturities						December 31, 2008	
	2009	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013 (Restated)	Thereafter (Restated)	Total (Restated)	Fair Value (Restated)
Local currency:								
Hong Kong dollars:								
Variable rate	5,215	—	—	—	—	—	5,215	5,215
Average weighted rate ⁽¹⁾	2.70%	—	—	—	—	—	2.70%	2.70%
Sub-total	<u>5,215</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,215</u>	<u>5,215</u>
Foreign currency:								
Thai Baht:								
Variable rate	301	—	—	—	—	—	301	301
Average weighted rate ⁽¹⁾	3.96%	—	—	—	—	—	3.96%	3.96%
Sub-total	<u>301</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>301</u>	<u>301</u>
New Israeli Shekels:								
Fixed rate	5	5	5	—	—	—	15	15
Average weighted rate ⁽¹⁾	4.25%	4.25%	4.25%	—	—	—	4.25%	4.25%
Variable rate	1,138	1,473	1,477	369	—	—	4,457	4,462
Average weighted rate ⁽¹⁾	8.46%	8.65%	8.65%	8.65%	—	—	8.60%	8.60%
Sub-total	<u>1,143</u>	<u>1,478</u>	<u>1,482</u>	<u>369</u>	<u>—</u>	<u>—</u>	<u>4,472</u>	<u>4,477</u>
U.S. dollars:								
Fixed rate	7	131	174	151	131	499	1,093	1,093
Average weighted rate ⁽¹⁾	7.25%	14.45%	14.45%	14.45%	14.45%	14.45%	14.40%	14.40%
Variable rate	986	19	—	—	—	—	1,005	1,005
Average weighted rate ⁽¹⁾	5.83%	4.27%	—	—	—	—	5.80%	5.80%
Sub-total	<u>993</u>	<u>150</u>	<u>174</u>	<u>151</u>	<u>131</u>	<u>499</u>	<u>2,098</u>	<u>2,098</u>
Total	<u>7,652</u>	<u>1,628</u>	<u>1,656</u>	<u>520</u>	<u>131</u>	<u>499</u>	<u>12,086</u>	<u>12,091</u>

(1) Weighted average rates of the portfolio at the year end.

	December 31, 2008 Maturities				December 31, 2008	
	2009	2010	2011	2012	Total	Fair Value
Cross currency swaps:						
Receive US\$ fixed/Pay THB variable	39	20	—	—	59	(12)
Contract amount	59	20	—	—	59	(12)
Average pay rate	THBFIX	THBFIX	—	—	N/A	N/A
	+0.30%	+0.30%				
Average receive rate	LIBOR	LIBOR	—	—	N/A	N/A
	+0.125%	+0.125%				
Forward foreign exchange contracts:						
Receive US\$/Pay NIS						
Contract amount	195	—	—	—	195	(2)
Average contractual exchange rate	3.839	—	—	—	N/A	N/A

PART III

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-70.

ITEM 19. EXHIBITS

EXHIBITS INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
12.1	Certifications Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended
12.2	Certifications Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended
13	Certifications Pursuant to 18 U.S.C. Section 1350

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to the annual report on its behalf.

Date: March 11, 2010

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

By: */s/ Christopher John Foll*

Name: Christopher John Foll

**Title: Executive Director and Chief Financial
Officer**

INDEX TO FINANCIAL STATEMENTS

Hutchison Telecommunications International Limited

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Hutchison Telecommunications International Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statement, consolidated statement of recognized income and expense and the consolidated cash flow statement present fairly, in all material respects, the financial position of Hutchison Telecommunications International Limited and its subsidiaries (together the “Group”) at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Group’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report on Internal Control over Financial Reporting appearing under Item 15 of the Company’s annual report on Form 20-F filed on May 27, 2009 not included herein. Our responsibility is to express opinions on these financial statements and on the Group’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2(b) to the consolidated financial statements, the 2008 consolidated financial statements have been restated for the correction of a misstatement.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers
PricewaterhouseCoopers
Hong Kong

May 27, 2009, except for the effects of the restatement discussed in Note 2(b) to the consolidated financial statements, which is as of March 11, 2010

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED INCOME STATEMENT

	Note	For the year ended December 31			
		2006	2007	2008	2008
		HK\$ millions	HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
Continuing operations:					
Turnover	5	17,923	20,401	23,725	3,061
Cost of inventories sold		(2,164)	(2,671)	(2,785)	(359)
Staff costs	7	(1,897)	(2,295)	(2,511)	(324)
Depreciation and amortization		(3,804)	(4,226)	(4,588)	(592)
Other operating expenses	8	(8,685)	(10,182)	(12,441)	(1,606)
Impairment charge for Thailand segment	9	—	(3,854)	—	—
Profit on disposal of investments and others, net	10	44	8	1,497	193
Operating profit/(loss)		1,417	(2,819)	2,897	373
Interest income	11	66	1,619	1,074	139
Interest and other finance costs	11	(1,652)	(1,335)	(1,418)	(183)
Share of results of associates		(1)	—	—	—
Share of results of jointly-controlled entities	24	—	—	(11)	(1)
(Loss)/Profit before taxation		(170)	(2,535)	2,542	328
Taxation	12	(653)	(191)	(874)	(113)
(Loss)/Profit for the year from continuing operations		(823)	(2,726)	1,668	215
Discontinued operations:					
Profit from discontinued operations	13	2,399	70,502	—	—
Profit for the year		1,576	67,776	1,668	215
Attributable to:					
Equity holders of the Company:					
- continuing operations		(1,191)	(3,147)	1,132	146
- discontinued operations		1,392	70,031	—	—
		201	66,884	1,132	146
Minority interest:					
- continuing operations		368	421	536	69
- discontinued operations		1,007	471	—	—
		1,375	892	536	69
		1,576	67,776	1,668	215
Dividends					
	14				
Special cash dividend		—	32,234	33,700	4,348
Conditional interim dividend in specie		—	—	10,061	1,298
(Loss)/Earnings per share from continuing operations attributable to equity holders of the Company					
- basic	15	HK\$ (0.25)	HK\$ (0.66)	HK\$ 0.24	US\$ 0.03
- diluted	15	HK\$ (0.25)	HK\$ (0.66)	HK\$ 0.24	US\$ 0.03
Earnings per share attributable to equity holders of the Company					
- basic	15	HK\$ 0.04	HK\$ 14.01	HK\$ 0.24	US\$ 0.03
- diluted	15	HK\$ 0.04	HK\$ 14.01	HK\$ 0.24	US\$ 0.03

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED BALANCE SHEET

	Note	As at December 31		
		2007	2008	2008
		HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
ASSETS				
Current assets				
Cash and cash equivalents	16	36,611	2,525	326
Trade and other receivables	17	4,702	4,780	617
Stocks		515	463	60
Derivative financial assets	18(a)	25	48	6
Total current assets		<u>41,853</u>	<u>7,816</u>	<u>1,009</u>
Assets held for sale	19	<u>—</u>	<u>174</u>	<u>22</u>
Non-current assets				
Fixed assets	20	16,950	18,400	2,374
Goodwill	21	6,070	6,815	879
Other intangible assets	22	7,818	7,160	924
Other non-current assets	23	3,354	3,844	496
Deferred tax assets	25	376	368	48
Interests in associates		2	2	—
Interests in jointly-controlled entities	24	—	88	11
Total non-current assets		<u>34,570</u>	<u>36,677</u>	<u>4,732</u>
Total assets		<u>76,423</u>	<u>44,667</u>	<u>5,763</u>
LIABILITIES				
Current liabilities				
Trade and other payables	26	7,902	8,069	1,042
Borrowings	27	5,083	7,652	987
Current income tax liabilities		111	104	13
Derivative financial liabilities	18(b)	119	27	3
Total current liabilities		<u>13,215</u>	<u>15,852</u>	<u>2,045</u>
Non-current liabilities				
Borrowings	27	5,937	4,434	572
Deferred tax liabilities	25	584	457	59
Other non-current liabilities	28	2,551	3,268	422
Total non-current liabilities		<u>9,072</u>	<u>8,159</u>	<u>1,053</u>
Total liabilities		<u>22,287</u>	<u>24,011</u>	<u>3,098</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	29(b)	1,195	1,204	155
Reserves	30	50,089	17,265	2,228
		51,284	18,469	2,383
Minority interest	31(d)	2,852	2,187	282
Total equity		<u>54,136</u>	<u>20,656</u>	<u>2,665</u>
Total equity and liabilities		<u>76,423</u>	<u>44,667</u>	<u>5,763</u>
Net current assets/(liabilities)		<u>28,638</u>	<u>(8,036)</u>	<u>(1,036)</u>
Total assets less current liabilities		<u>63,208</u>	<u>28,815</u>	<u>3,718</u>

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	Note	For the year ended December 31			
		2006	2007	2008	2008
		HK\$ millions	HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
Cash flows from operating activities					
Continuing operations:					
(Loss)/Profit before taxation		(170)	(2,535)	2,542	328
Adjustments for:					
- Interest income	11	(66)	(1,619)	(1,074)	(139)
- Interest and other finance costs	11	1,652	1,335	1,418	183
- Depreciation and amortization		3,804	4,226	4,588	592
- Impairment loss on stocks and non-current assets	8	—	—	17	2
- Share-based payments	7	116	223	88	11
- Profit on disposal of investments and others, net	10	(44)	(8)	(1,497)	(193)
- Loss on disposal of fixed assets	8	27	26	23	3
- Impairment charge for Thailand segment	9	—	3,854	—	—
- Write-off of customer acquisition and retention costs	8	26	44	11	1
- Share of results of associates		1	—	—	—
- Share of results of jointly-controlled entities	24	—	—	11	1
- Changes in working capital					
- Decrease/(Increase) in stocks		222	(122)	23	3
- (Increase)/Decrease in trade receivables, other receivables and prepayments		(720)	(1,319)	424	55
- Decrease in short-term receivable from related companies		36	50	—	—
- (Decrease)/Increase in trade and other payables		(760)	822	742	96
- Decrease in payable to related companies		(54)	(38)	(18)	(2)
Cash generated from continuing operations		4,070	4,939	7,298	941
Interest received		66	1,562	982	127
Interest and other finance costs paid		(1,438)	(878)	(646)	(83)
Taxes paid		(638)	(631)	(982)	(127)
Net cash generated from operating activities of continuing operations		<u>2,060</u>	<u>4,992</u>	<u>6,652</u>	<u>858</u>
Discontinued operations:					
Cash generated from discontinued operations		4,459	782	—	—
Interest received		48	16	—	—
Interest and other finance costs paid		(804)	(713)	—	—
Taxes paid		(249)	(89)	—	—
Net cash generated from/(used in) operating activities of discontinued operations		<u>3,454</u>	<u>(4)</u>	<u>—</u>	<u>—</u>
Net cash generated from operating activities		<u>5,514</u>	<u>4,988</u>	<u>6,652</u>	<u>858</u>

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT (continued)

	Note	For the year ended December 31			
		2006	2007	2008	2008
		HK\$ millions	HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
Cash flows from investing activities					
Continuing operations:					
Additions to customer acquisition and retention costs		(485)	(602)	(865)	(112)
Additions to prepaid capacity and maintenance		(23)	(83)	(80)	(10)
Advanced payments for network rollout, included in other receivables and prepayment		(162)	(1,103)	(1,035)	(134)
Investments in jointly-controlled entities	24	—	—	(99)	(13)
Increase in interest in subsidiary		—	—	(570)	(74)
Purchase of fixed assets		(1,884)	(2,532)	(4,963)	(640)
Purchase of shares of a subsidiary under a share buy-back plan		—	—	(799)	(103)
Purchase of transmission business	31(b)	(124)	—	—	—
Proceeds from disposal of fixed assets		24	23	13	2
Proceeds from disposal of subsidiaries, net of cash disposed of	31(c)	2	—	578	75
Proceeds from disposal of base station tower sites		—	—	887	114
Upfront and fixed periodic payments for telecommunications licenses		(227)	(296)	(537)	(69)
(Increase)/Decrease in long term deposits		(35)	—	452	58
Net cash used in investing activities of continuing operations		(2,914)	(4,593)	(7,018)	(906)
Discontinued operations:					
Cash used in investing activities		(12,170)	(4,697)	—	—
Proceeds from disposal of subsidiaries, net of cash disposed of	31(c)	—	83,185	—	—
Net cash (used in)/generated from investing activities of discontinued operations		(12,170)	78,488	—	—
Net cash (used in)/generated from investing activities		(15,084)	73,895	(7,018)	(906)
Cash flows from financing activities					
Continuing operations:					
Net cash generated from/(used in) financing activities		438	(14,045)	1,044	135
Dividend paid to the Company's shareholders	14	—	(32,234)	(33,700)	(4,348)
Dividends paid to minority shareholders	31(d)	(266)	(594)	(1,006)	(130)
Equity contribution from minority shareholders		195	—	—	—
(Repayment)/Drawing of loan from minority shareholders	31(d)	(188)	608	6	1
Proceeds from exercise of share options of the Company		116	95	64	8
Proceeds from exercise of share options of a subsidiary		78	142	47	6
Decrease in restricted cash		1	—	—	—
Settlement and rollover of derivatives		—	—	(110)	(14)
Net cash generated from/(used in) financing activities of continuing operations		374	(46,028)	(33,655)	(4,342)

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT (continued)

	Note	For the year ended December 31			
		2006	2007	2008	2008
		HK\$ millions	HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
Discontinued operations:					
Net cash generated from financing activities of discontinued operations		8,808	1,708	—	—
Net cash generated from/(used in) financing activities		<u>9,182</u>	<u>(44,320)</u>	<u>(33,655)</u>	<u>(4,342)</u>
(Decrease)/Increase in cash and cash equivalents		(388)	34,563	(34,021)	(4,390)
Cash and cash equivalents at beginning of year		2,436	2,048	36,611	4,724
Effect of foreign exchange rate changes		—	—	(65)	(8)
Cash and cash equivalents at end of year		<u>2,048</u>	<u>36,611</u>	<u>2,525</u>	<u>326</u>
Analysis of net (debt)/cash					
Cash and cash equivalents as at December 31	16	2,048	36,611	2,525	326
Borrowing as at December 31	27	<u>(39,417)</u>	<u>(11,020)</u>	<u>(12,086)</u>	<u>(1,559)</u>
Net (debt)/cash as at December 31		<u>(37,369)</u>	<u>25,591</u>	<u>(9,561)</u>	<u>(1,233)</u>

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	For the year ended December 31			
	2006	2007	2008	2008
	HK\$ millions	HK\$ millions	(Restated - Note 2(b)) HK\$ millions	(Restated - Note 2(b)) US\$ millions (Note 39)
Currency translation differences	321	1,280	(240)	(31)
Cash flow hedges				
- effective portion of changes in fair value	—	—	(28)	(4)
- transfer from equity to income statement	—	—	28	4
Actuarial gains/(losses) of defined benefit plans	12	38	(111)	(14)
Net income/(expense) recognized directly in equity	<u>333</u>	<u>1,318</u>	<u>(351)</u>	<u>(45)</u>
Profit for the year	<u>1,576</u>	<u>67,776</u>	<u>1,668</u>	<u>215</u>
Total recognized income for the year	<u><u>1,909</u></u>	<u><u>69,094</u></u>	<u><u>1,317</u></u>	<u><u>170</u></u>
Attributable to:				
Equity holders of the Company	277	67,672	717	93
Minority interest	<u>1,632</u>	<u>1,422</u>	<u>600</u>	<u>77</u>
	<u><u>1,909</u></u>	<u><u>69,094</u></u>	<u><u>1,317</u></u>	<u><u>170</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Hutchison Telecommunications International Limited (the “Company”) was incorporated in the Cayman Islands on March 17, 2004 as a company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”), and in the form of American Depositary Shares on New York Stock Exchange, Inc.

The Company and its subsidiaries (together the “Group”) are engaged in mobile telecommunications and related businesses in Hong Kong and Macau, Israel, Thailand, Indonesia, Vietnam and Sri Lanka. The Group also has a fixed-line telecommunications business in Hong Kong. On July 11, 2008, the Group completed the sale of its entire indirect interests in Kasapa Telecom Limited, the Ghana operations (details of which are set out in Note 10(c)), and has since ceased to engage in the telecommunications business in Ghana.

These financial statements have been approved for issuance by the Board of Directors on May 25, 2009, except for the effects of the restatement discussed in Note 2(b), which has been approved on March 11, 2010.

2. Basis of Preparation and Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

As at December 31, 2008, the Group had net current liabilities of HK\$8,036 million. While the Group’s operations have generated cash during the year, investments in the Group’s business and payments of dividend have consumed cash in excess of amounts generated from operations and have utilized the surplus funds brought forward from the prior year. The Group’s future funding requirements will be met through bank borrowings and other loans, including the HK\$9 billion bank revolving credit and term loan facility which will expire in May 2009, and the revolving credit and term loan facility of US\$2.5 billion (approximately HK\$19,376 million) from an indirect subsidiary of Hutchison Whampoa Limited (“HWL”). The Group expects to continue to fund the substantial capital required to build, maintain and operate its telecommunications networks through a combination of cash flows from operating activities, bank loans and borrowing from the indirect subsidiary of HWL.

(b) Restatement of previously reported financial result for the year ended December 31, 2008

As disclosed previously in the Company’s annual report on Form 20-F for the year ended December 31, 2008 and interim report for the six months ended June 30, 2009 furnished to the US Securities and Exchange Commission (the “SEC”) on Form 6-K, the staff of the SEC (the “Staff”) had in August 2008 questioned the accounting treatment of the sale and leaseback of base station tower sites entered into by the Company’s Indonesia subsidiary, PT. Hutchison CP Telecommunications (“HCPT”).

HCPT entered into a Tower Transfer Agreement to sell up to 3,692 base station tower sites for a cash consideration of US\$500 million (HK\$3,882 million), with completion in tranches over a two-year period commencing on March 18, 2008. Concurrent with completion of the first tranche, HCPT entered into a Master Lease Agreement (“MLA”) to lease back a portion of the capacity on the base station tower sites as further described in Note 10(b). The Company reviewed the substance of this transaction in accordance with IFRS and determined, with the agreement of its auditor, that this transaction satisfied the criteria for recognition as an operating lease. Accordingly, the Company reflected this treatment in its audited financial statements for the year ended December 31, 2008 and, a gain on disposal of the base station tower sites amounting to US\$182.2 million (HK\$1,421 million) was recognized as well as the lease expense for the period from the commencement of the lease.

The sale and leaseback transaction was first reported as a subsequent event in the Company’s annual report on Form 20-F for the year ended December 31, 2007 (the “2007 Form 20-F”). As part of its periodic review of the Company’s 2007 Form 20-F, the Staff raised questions about this accounting treatment in a letter dated August 28, 2008. Since that date, the Company and its auditor have had a number of discussions with the Staff.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(b) Restatement of previously reported financial result for the year ended December 31, 2008 (continued)

At the conclusion of these discussions, the Staff informed the Company that, in their judgment, the leaseback transaction should be classified as a finance lease under IFRS. The Company has decided to amend and restate the previously reported financial statements for the year ended December 31, 2008 to reflect the accounting for the transaction as a finance lease. The adjustments required to the 2008 financial statements include:

- deferring and amortizing the gain from the sale of the capacity leased back by the Company over the lease period in the consolidated income statement;
- recognizing the leased assets and the related finance lease obligations in the consolidated balance sheet; and
- recognizing depreciation expense on the leased assets and interest expense on the lease payments as finance lease charges.

The gain attributable to the portion of the capacity of the base station tower sites sold under the Tower Transfer Agreement that has not been leased back by HCPT, amounting to US\$54.6 million (HK\$426 million), continues to be recognized in the income statement in 2008.

The following tables disclose the adjustments that have been made to each of the line items in the consolidated income statement and the consolidated cash flow statement as previously reported for the year ended December 31, 2008, and the consolidated balance sheet as previously reported as at December 31, 2008.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(b) Restatement of previously reported financial result for the year ended December 31, 2008 (continued)

(i) Effect on the consolidated income statement for the year ended December 31, 2008

HK\$ millions (except for earnings per share)	2008 (as previously reported)	Effect of restatement Increase/(Decrease) in profit for the year Sale and leaseback of tower sites	2008 (as restated)
Continuing operations:			
Turnover	23,725	—	23,725
Cost of inventories sold	(2,785)	—	(2,785)
Staff costs	(2,511)	—	(2,511)
Depreciation and amortisation	(4,531)	(57)	(4,588)
Other operating expenses	(12,291)	(150)	(12,441)
Profit on disposal of investments and others, net	2,453	(956)	1,497
Operating profit	4,060	(1,163)	2,897
Interest income	1,074	—	1,074
Interest and other finance costs	(1,330)	(88)	(1,418)
Share of results of jointly-controlled entities	(11)	—	(11)
Profit before taxation	3,793	(1,251)	2,542
Taxation	(874)	—	(874)
Profit for the year from continuing operations	2,919	(1,251)	1,668
Discontinued operations:			
Profit from discontinued operations	—	—	—
Profit for the year	2,919	(1,251)	1,668
Attributable to:			
Equity holders of the Company:			
- continuing operations	1,883	(751)	1,132
- discontinued operations	—	—	—
	1,883	(751)	1,132
Minority interest:			
- continuing operations	1,036	(500)	536
- discontinued operations	—	—	—
	1,036	(500)	536
	2,919	(1,251)	1,668
Earnings per share attributable to equity holders of the Company (HK\$ per share)			
- basic	0.39	(0.15)	0.24
- diluted	0.39	(0.15)	0.24

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(b) Restatement of previously reported financial result for the year ended December 31, 2008 (continued)

(ii) Effect on the consolidated balance sheet as at December 31, 2008

HK\$ millions	2008 (as previously reported)	Effect of restatement Increase/(Decrease) in net assets Sale and leaseback of tower sites	2008 (as restated)
ASSETS			
Current assets			
Cash and cash equivalents	2,525	—	2,525
Trade and other receivables	5,072	(292)	4,780
Stocks	463	—	463
Derivative financial assets	48	—	48
Total current assets	8,108	(292)	7,816
Assets held for sale	174	—	174
Non-current assets			
Fixed assets	17,216	1,184	18,400
Goodwill	6,815	—	6,815
Other intangible assets	7,160	—	7,160
Other non-current assets	3,844	—	3,844
Deferred tax assets	368	—	368
Interests in associates	2	—	2
Interests in jointly-controlled entities	88	—	88
Total non-current assets	35,493	1,184	36,677
Total assets	43,775	892	44,667
LIABILITIES			
Current liabilities			
Trade and other payables	8,000	69	8,069
Borrowings	7,652	—	7,652
Current income tax liabilities	104	—	104
Derivative financial liabilities	27	—	27
Total current liabilities	15,783	69	15,852
Non-current liabilities			
Borrowings	3,348	1,086	4,434
Deferred tax liabilities	457	—	457
Other non-current liabilities	2,458	810	3,268
Total non-current liabilities	6,263	1,896	8,159
Total liabilities	22,046	1,965	24,011
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1,204	—	1,204
Reserves	17,909	(644)	17,265
	19,113	(644)	18,469
Minority interest	2,616	(429)	2,187
Total equity	21,729	(1,073)	20,656
Total equity and liabilities	43,775	892	44,667
Net current liabilities	(7,675)	(361)	(8,036)
Total assets less current liabilities	27,992	823	28,815

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(b) Restatement of previously reported financial result for the year ended December 31, 2008 (continued)

(iii) Effect on the consolidated cash flow statement for the year ended December 31, 2008

An amount of HK\$1,486 million previously recorded under investing activities as “proceeds from disposal of base station tower sites” was now reclassified under financing activities as an additional borrowing. Prepaid operating lease rental amounting to HK\$400 million previously recorded under operating activities as “changes in working capital” was now reclassified under financing activities as repayment of loans.

(c) Changes in accounting policies

During 2008, the Group has adopted the following new or revised IFRS which are relevant to the Group’s operations and are effective for accounting periods beginning on January 1, 2008:

IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
IFRIC Interpretation 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC Interpretation 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new or revised IFRS had no material effect on the Group’s results and financial position for the current or prior periods.

At the date of authorization of these financial statements, the following new/revised standards, amendments to standards and interpretations to existing standards have been issued but are not effective for the year ended December 31, 2008:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Amendment)	Financial Instruments: Presentation
IAS 1 (Amendment)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 (Amendment)	First Time Adoption of IFRS
IFRS 2 (Amendment)	Share-based Payment
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
IFRIC Interpretation 13	Customer Loyalty Programmes
IFRIC Interpretation 15	Agreements for the Construction of Real Estate
IFRIC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IFRIC Interpretation 17	Distributions of Non-cash Assets to Owners

IASB’s improvements to IFRS, including:

IAS 1 (Amendment)	Presentation of Financial Statements
IAS 2 (Amendment)	Inventories
IAS 7 (Amendment)	Statement of Cash Flows
IAS 16 (Amendment)	Property, Plant and Equipment
IAS 19 (Amendment)	Employee Benefits
IAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23 (Amendment)	Borrowing Costs
IAS 27 (Amendment)	Consolidated and Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates
IAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
IAS 31 (Amendment)	Interests in Joint Ventures
IAS 36 (Amendment)	Impairment of Assets
IAS 38 (Amendment)	Intangible Assets
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
IAS 40 (Amendment)	Investment Property
IAS 41 (Amendment)	Agriculture
IFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(c) Changes in accounting policies (continued)

Apart from the above, there are also a number of minor amendments to IFRS 7, 'Financial Instruments: Disclosures', IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', IAS 10, 'Events after the Balance Sheet Date', IAS 18, 'Revenue' and IAS 34, 'Interim Financial Reporting'.

The Group did not early adopt any of these new/revised standards, amendments to standards and interpretations to existing standards. The Group is in the process of assessing the impact of these new/revised standards, amendments to standards and interpretations to existing standards on the Group's results and financial position in the future.

(d) Basis of consolidation

The consolidated financial statements made up to December 31 include the financial statements of the Company and all of its direct and indirect subsidiaries and also incorporate the Group's interest in associates and jointly-controlled entities on the basis set out in Notes 2(g) and 2(h) below. Results of subsidiaries, associates and jointly-controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to December 31 or up to the dates of disposal as the case may be.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries, associates and jointly-controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Subsidiaries

A company is a subsidiary if the Company, directly or indirectly, has more than 50% of the voting control or otherwise has governing power, or by virtue of the Company's funding or financing arrangements bears the majority of the economic risks and is entitled to the majority of the rewards of that company on a long-term basis. In the consolidated financial statements, subsidiaries are accounted for as described in Note 2(d) above. In the financial statements of the Company, investments in subsidiaries are stated at cost less provision for impairment losses.

The particulars of the Group's principal subsidiaries as at December 31, 2008 are set forth on page F-70.

(f) Minority interest

Minority interest at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(g) Associates

An investee company is classified as an associate if significant influence is exercised over its management but there is no contractual agreement between the shareholders to establish the Group's control or joint control over the economic activities of the entity. Results of the associates are incorporated in the consolidated financial statements to the extent of the Group's share of the post acquisition results. Investments in associates represent the Group's share of their net assets, after attributing fair values to their net assets as at the date of acquisition, less provision for impairment in value.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(h) Joint ventures

A joint venture is a contractual agreement 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 the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". The total carrying amount of such investments is reduced to recognize any identified impairment loss in the value of individual investments.

(i) Business co-operation contract

The Group obtained an investment license from the Ministry of Planning and Investment of Vietnam to engage in a business co-operation under a Business Co-operation Contract ("BCC") with Hanoi Telecommunications Joint Stock Company to build, operate and develop a mobile telecommunications network in Vietnam. By virtue of the financing arrangements of the BCC, the Group bears the majority of the economic risks of the BCC and thus currently has accounted for the BCC as if it is a subsidiary of the Group. The Group has recognized in its consolidated financial statements the assets that it controls and the liabilities that it incurs, as well as the expenses that it incurs and the revenue that is generated from the BCC.

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Fixed assets are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

Buildings	20 – 50 years
Telecommunications and network equipment	10 – 35 years
Motor vehicles	4 – 5 years
Office furniture & equipment and computer equipment	3 – 7 years
Leasehold improvements	Over the unexpired period of the lease or 7 years, whichever is the shorter

Subsequent costs on fixed assets are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to the qualifying assets.

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 recognized in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(k) Leases

Assets acquired pursuant to finance leases that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased and are depreciated over the shorter of the useful life of the assets and the lease term.

Finance leases are capitalized 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 a straight-line basis.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(k) Leases (continued)

Under certain circumstances, the Group may enter into sale and leaseback arrangements whereby it sells certain assets and leases back a portion of those assets. The Group reviews the substance of each of these transactions to determine whether the leaseback is a finance lease or an operating lease. Where it is determined that the leaseback is an operating lease and (i) the Group does not maintain or maintains only minor continuing involvement in these assets, other than the required lease payments and (ii) these transactions are established at fair value, the gain or loss on sale is recognized in the income statement immediately. Any gain or loss on a sale and finance leaseback transaction is deferred and amortized over the term of the lease.

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or jointly-controlled entity at the date of acquisition.

Goodwill on acquisition is reported in the consolidated balance sheet as a separate asset or, as applicable, included within investment in associate and jointly-controlled entity. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The Group allocates goodwill to each business segment in each country in which it operates.

(m) Other intangible assets

(i) Telecommunications licenses

The Group owns the rights to use and operate specified spectrums in some jurisdictions over a certain period of time through annual minimum fees plus a variable portion depending on the future revenues from the services. License fees payments, the discounted value of the fixed annual fees to be paid over the license period, and certain other direct costs incurred prior to the date the asset is ready for its intended use are capitalized. Capitalized license fees are amortized from the date the asset is ready for its intended use until the expiration of the license.

Interest is accreted on the fixed annual fees and charged to interest expense. Variable license fees are recognized as period costs.

(ii) Customer acquisition and retention costs

Costs to acquire or retain telecommunications customers, which are postpaid (and primarily 3G) customers, pursuant to a contract with early termination penalties are capitalized if (i) such costs are identifiable and controlled; (ii) it is probable that future economic benefits will flow from the customers to the Group; and (iii) such costs can be measured reliably. Subsidies on handset sales, which are calculated by deducting the customers' payment towards the handset from the cost of the handset, are included in the customer acquisition and retention costs. Capitalized customer acquisition and retention costs are amortized over the minimum enforceable contractual period, which is generally a period of 18-24 months. If a customer leaves our network within the minimum enforceable contractual period, any unamortized customer acquisition or retention costs are written off in the period in which the customer leaves.

Costs to acquire prepaid telecommunications customers are expensed in the period incurred.

(iii) Brand name and customer base

Brand name and customer base that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is other than indefinite) and impairment losses. Amortization of brand name and customer base is calculated on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. Brand name and customer base with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Brand name	17 years
Customer base	5 – 9 years

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(n) Prepaid capacity and maintenance

Prepaid capacity and maintenance is telecommunications capacity leased on an indefeasible right of use (“IRU”) basis and related maintenance services. Prepaid capacity and maintenance is stated at cost and amortized on a straight-line basis from the date that the related capacity is activated over the shorter of the term of the IRU agreement or estimated useful life.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(q) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

A financial asset is designated at fair value through profit or loss at inception if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realized within 12 months after the balance sheet date.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities within 12 months after the balance sheet date which are classified as current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the “Financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(q) Financial assets (continued)

(iv) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of provision is determined based on historical data of payment statistics for aged receivable balances. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the income statement. Changes in the carrying amount of the provision account are recognized in the income statement.

(r) Derivative financial instruments and hedging activities

Derivative financial instruments are utilized by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilize 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 date. Changes in fair value are recognized based on whether certain qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" 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 against the cash flows attributable to recognized liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into forward foreign exchange contracts to hedge certain foreign exchange risks of the Group. Changes in fair value of these derivatives are dealt with as movements in the hedging reserve under equity. When a hedged transaction is no longer expected to occur, the cumulative unrealized gain or loss recognized in equity is recognized immediately in the income statement as interest and other finance costs, net.

Derivatives that do not qualify for hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement" are accounted for with the changes in fair value being recognized in the income statement.

(s) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and in banks and all demand deposits placed with banks with original maturities of three months or less from the date of placement or acquisition.

(t) Stocks

Stocks consist of handsets and phone accessories and are valued using the weighted average cost method. Stocks are stated at the lower of cost and net realizable value. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(u) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment (see Note 2(q)(iv)).

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(v) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the issue of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalized for qualifying assets (Note 2(j)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(x) Deferred taxation

Deferred taxation is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences (including tax losses) can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(aa) Employee benefits

(i) Pension plans

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

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or loss and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the year in which they occur in the statement of recognized income and expense.

Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably committed itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(ab) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(ab) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity (cumulative translation adjustments).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(ac) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(ad) Revenue recognition

The Group recognizes revenue on the following bases:

- (i) Installation fees are recognized on connection of the service.
- (ii) Sales of handsets are recognized upon delivery to the distributors, dealers or directly to the end customers when they are sold on a standalone basis.

When handsets are sold to end customers as part of multiple element arrangements (which typically include the sale of a handset together with a fixed-term service contract), the amount received for the handset up to its fair value is accounted for as revenue from the handset sale upon delivery to the end customers.

When handsets are sold to end customers for purposes of acquiring new customers or retaining existing customers, the Group subsidizes the sale of the handset by selling it at a price below its cost to secure a fixed-term service contract. The handset sale is then treated as a non-revenue-generating transaction and accordingly, no revenue is recognized from these types of handset sales. The subsidy, which represents the difference between the cost of the handset and the payment received from the customer for the handset, is capitalized as an element of customer acquisition and retention costs in accordance with the accounting policy set out in Note 2(m)(ii).

- (iii) Revenues from usage charges, software development services and technical services are recognized when services are rendered and collectibility can be reasonably assured.
- (iv) Revenues from prepaid recharges are recognized upon customer's usage or upon the expiry of the service period.
- (v) Revenues for monthly fees and value added services are recognized on a time proportion basis, taking into account customers' usage of the services.
- (vi) Network interconnection with international carriers and roaming revenues are recognized as rendered/incurred and are presented on a gross basis.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation and Principal Accounting Policies (continued)

(ae) Interest income

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(af) Dilution of interest in subsidiaries or associates

Reduction in the Group's proportionate share of the underlying equity of a subsidiary or associate, including goodwill, which result from the issuance of additional equity by the entity, are recognized as gains or losses as incurred.

(ag) Increase in proportionate share of subsidiaries

The increase in the Group's proportionate share of the underlying equity of a subsidiary is accounted for using the carrying value of the subsidiary's assets and liabilities. The difference between the amount paid for the additional equity interest of a subsidiary and the increase in the share of the carrying values of the subsidiary's assets and liabilities is recognized as goodwill or negative goodwill in accordance with Notes 2(d) and 2(l) above.

3. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 4, 21, 34(a) and 35 contain information about the assumptions and their risk factors relating to financial instruments, goodwill impairment, defined benefit obligations and fair value of share options granted. Other key sources of estimation uncertainty are described below.

(i) Estimated useful life for telecommunications and network equipment

The Group has substantial investments in mobile and fixed-line telecommunications and network equipment. As at December 31, 2008, the carrying amount of the mobile and fixed-line telecommunications and network equipment is approximately HK\$15,898 million (2007 – HK\$14,521 million). 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. Due to changes in technology, the useful life of certain CDMA equipment not convertible to GSM (Note 19) and certain 3G network equipment recorded by Partner Communications Company Ltd. ("Partner Communications"), an indirect subsidiary of the Company, (Note 20) was shortened, resulting in the acceleration of depreciation of these assets by HK\$167 million and HK\$162 million respectively.

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgment is required in determining the 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 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 initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Critical Accounting Estimates and Judgments (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Asset impairment

Management judgment is required in the area of asset impairment, including goodwill, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operations of the Group. The results of the impairment tests undertaken as at December 31, 2008 indicated that no impairment charge was necessary. As at December 31, 2008, the non-current assets and assets held for sale which are subject to asset impairment review amounted to approximately HK\$36,309 million and HK\$174 million respectively.

(b) Critical judgments in applying the Company's accounting policies

(i) Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carry forwards. As of December 31, 2008, the Group has recognized HK\$368 million (2007 – HK\$376 million) in deferred tax assets.

(ii) Sale and leaseback transactions

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

Classification of a transaction as a finance lease or an operating lease determines whether the leased asset is treated on-balance sheet or off-balance sheet as set out in Note 2(k). 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). During the year ended December 31, 2008, the Group has deferred and amortized gain on disposal of base station tower sites as set out in Note 10(b).

(iii) Other income

The Group has been granted credit vouchers by a key network supplier for offset against future services and purchases from the supplier. The value of the vouchers is recognized as other income as set out in Note 10(d). Judgment is required in determining the fair value of the vouchers and whether the credit voucher should be accounted for as income or as a purchase discount. This determination includes, but is not limited to, an assessment of the nature of the credit vouchers and their grant, the conditions attached to utilization of the vouchers, and the separation of economic events from future purchases.

Recognition as income or as a purchase discount determines whether the credit vouchers are recognized immediately when the Group becomes entitled to the right to use them and the contractual obligations of the network supplier are waived, or they are deferred and recognized upon making purchases from the supplier and offset against the purchase invoices.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management

(a) Financial risk factors

The Group is exposed to market risk from changes in interest rates and currency exchange rates. Interest rate risk exists with respect to the Group's financial assets and liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed rate financial assets and liabilities. Exchange rate risk exists with respect to the Group's financial assets and liabilities denominated in a currency that is not the entity's functional currency. The Group manages these risks by a variety of methods, including the use of a number of derivative financial instruments such as cross currency and interest rate swap contracts as well as forward foreign exchange contracts. All transactions in derivative financial instruments are undertaken for risk management purposes only. No instruments are held by the Group for speculative purposes.

(i) Foreign currency exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with the borrowings and accounts payable. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. During the year, the Group places deposits with banks denominated in various currencies for the purpose of working capital management.

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavors to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not attractive, the Group may not borrow in the local currency and instead monitor the development of the businesses' cashflow and the debt markets and, when appropriate, would expect to refinance these businesses with local currency borrowings. Exposure to movements in exchange rates on individual transactions directly related to the underlying businesses is minimized using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group may use derivative instruments to manage or adjust its exposures.

Since the impact of foreign exchange exposure other than US dollars is insignificant, the table below summarizes the foreign exchange exposure in US dollars, on the net monetary position of each sub-group, offsetting the foreign currency denominated borrowings against the relevant foreign exchange forward and swap contracts, expressed in the Group's presentation currency of HK dollars.

HK\$ millions	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Hong Kong	204	136
Israel	(587)	(505)
Thailand	(180)	(70)
Indonesia	(1,337)	(1,865)
Others*	<u>34,394</u>	<u>1,778</u>
Total net exposure: net assets/(liabilities)	<u><u>32,494</u></u>	<u><u>(526)</u></u>

* "Others" as at December 31, 2007 comprised Vietnam, Sri Lanka, Ghana and Corporate. As at December 31, 2008, it comprised Vietnam, Sri Lanka and Corporate.

As at the balance sheet dates, a 10% strengthening of the functional currency of each sub-group against US dollars would have increased/(decreased) profit and loss by the amounts as shown below. This analysis assumes that all other variables remain constant.

HK\$ millions	<u>2007</u> Impact to profit and loss	<u>2008</u> Impact to profit and loss (Restated - Note 2(b))
US dollars	<u><u>3,249</u></u>	<u><u>(53)</u></u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(i) Foreign currency exposure (continued)

A 10% weakening of the functional currency of each sub-group against US dollars at December 31 would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant. There is no foreign currency translation risk that would affect equity directly.

(ii) Interest rate exposure

The Group's main interest rate exposures relate to its borrowings. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt. When considered appropriate, we use interest rate swaps to manage the interest rate exposure. The swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the hedged debts is adjusted to include the payments made or received under the interest rate swaps.

As at December 31, 2008, the carrying amount of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

HK\$ millions	2007	2008
Borrowings at floating rates	(10,445)	(10,978)
Cash at banks and short-term bank deposits	36,607	2,520
Deposits classified in non-current assets	469	14
Interest bearing loans from minority shareholders	(152)	(159)
Other derivatives	18	(4)
Other receivables	—	75
	<u>26,497</u>	<u>(8,532)</u>

The interest rate profile of the Group's borrowings is disclosed in Note 27. The cash deposits placed with banks generate interest at the prevailing market interest rates.

At the balance sheet dates, if interest rates had been 100 basis points lower, with all other variables held constant, pre-tax profit for 2008 and 2007 would have increased by HK\$71 million and decreased by HK\$281 million respectively, mainly as a result of lower interest expenses on floating rate borrowings and interest income from cash and deposits; there would be no direct impact on equity as the Group did not have financial instruments which qualify for hedge accounting and as such all movement of interest expense and income as a result of interest rates changes would be charged to the income statement.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point movement represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2007.

(iii) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from counter party risk in respect of derivative financial instruments as well as credit exposures to trade and other receivables. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

For counter party and investment risks in respect of our surplus funds, we manage these risks by placing deposits with credit worthy financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's or Moody's or investing in marketable securities such as US Treasuries or Commercial Papers/Certificates of Deposits issued by credit-worthy counter-parties with similar credit rating as above. Any deviations from this policy are to be approved by the Board. As at December 31, 2008, all surplus funds are placed with financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's or Moody's.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Credit risk (continued)

The average credit period granted by the Group to customers ranges from 30 to 45 days. The utilization of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. Sales of telecommunications products and services to customers are primarily made in cash or through major credit cards. The Group also has sales of handsets in installments (mostly 36 monthly payments through major credit cards). There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed. The Group does not have a significant exposure to any individual debtors.

The Group considers its maximum exposure to credit risk at the reporting dates is the carrying value of each class of financial assets as follows:

HK\$ millions	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Cash at banks and short-term bank deposits	36,607	2,520
Trade and other receivables (Note 17)	4,702	4,780
Derivative financial assets (Note 18(a))	25	48
Other receivable classified as other non-current assets	<u>1,651</u>	<u>1,149</u>
	<u>42,985</u>	<u>8,497</u>

(iv) Liquidity risk

Prudent liquidity risk management, including maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities to fund working capital, debt service, dividend payments, new investments and the ability to close out market positions, is adopted. Due to the dynamic nature of the underlying businesses, the Group maintains significant flexibility in funding to respond to opportunities and events by ensuring committed credit lines are available.

As at December 31, 2008, the Group had net current liabilities of HK\$8,036 million, primarily as a result of the special dividend paid during December 2008 together with the consumption of cash in excess of the amounts generated from operations (2007 – net current assets of HK\$28,638 million). The Group's future funding requirements will be met by facilities as set out in Note 2(a).

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

The following table details the contractual maturities at the balance sheet date of the Group's financial liabilities and net-settled derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

As at December 31, 2007	Carrying amount	Contractual liabilities	Non- contractual liabilities	Contractual undiscounted cashflow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
HK\$ millions								
Borrowings (Note 27)	11,020	11,020	—	(11,020)	(5,083)	(2,858)	(3,079)	—
Currency swap (Note 18(b))	22	22	—	(22)	(9)	(9)	(4)	—
Forward foreign exchange contracts	60	60	—	(62)	(62)	—	—	—
Trade payables (Note 26(a))	1,752	1,752	—	(1,752)	(1,752)	—	—	—
Other payables	5,759	2,188	3,571	(2,188)	(1,864)	(324)	—	—
License fees liabilities (Note 28(a))	2,866	2,866	—	(4,499)	(607)	(409)	(1,572)	(1,911)
	<u>21,479</u>	<u>17,908</u>	<u>3,571</u>	<u>(19,543)</u>	<u>(9,377)</u>	<u>(3,600)</u>	<u>(4,655)</u>	<u>(1,911)</u>

As at December 31, 2008	Carrying amount	Contractual liabilities	Non- contractual liabilities	Contractual undiscounted cashflow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
(Restated – Note 2(b))								
HK\$ millions								
Borrowings (Note 27)	12,086	12,086	—	(13,397)	(7,653)	(1,669)	(2,571)	(1,504)
Currency swap (Note 18(b))	12	12	—	(12)	(8)	(4)	—	—
Other derivatives (Note 18(b))	13	13	—	(13)	(13)	—	—	—
Trade payables (Note 26(a))	1,964	1,964	—	(1,964)	(1,964)	—	—	—
Other payables	6,078	2,164	3,914	(2,164)	(2,076)	(88)	—	—
License fees liabilities (Note 28(a))	2,354	2,354	—	(3,586)	(389)	(450)	(1,539)	(1,208)
	<u>22,507</u>	<u>18,593</u>	<u>3,914</u>	<u>(21,136)</u>	<u>(12,103)</u>	<u>(2,211)</u>	<u>(4,110)</u>	<u>(2,712)</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

The following table details the contractual maturities at the balance sheet date of the Group's derivative financial liabilities that will be settled on a gross basis. The amounts disclosed in the table are based on the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

As at December 31, 2007	Carrying amount	Contractual liabilities	Non- contractual liabilities	Contractual undiscounted cashflow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
HK\$ millions								
Forward foreign exchange contracts – not qualified for hedges	37	37	—					
- Inflow				608	608	—	—	—
- Outflow				(631)	(631)	—	—	—
	<u>37</u>	<u>37</u>	<u>—</u>	<u>(23)</u>	<u>(23)</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at December 31, 2008	Carrying amount	Contractual liabilities	Non- contractual liabilities	Contractual undiscounted cashflow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
HK\$ millions								
Forward foreign exchange contracts – not qualified for hedges	2	2	—					
- Inflow				195	195	—	—	—
- Outflow				(197)	(197)	—	—	—
	<u>2</u>	<u>2</u>	<u>—</u>	<u>(2)</u>	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from 2007.

The Group defines capital as total equity attributable to equity holders of the Company, comprising share capital and reserves, as shown in the consolidated balance sheet. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Risk Management (continued)

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts and currency swaps is determined using the prevailing market rates at the balance sheet date. The fair value of non-current assets held for sale is determined by using valuation techniques as performed by an independent valuation (Note 19). As a result of non-availability of market-based evidence, the fair value of base station tower sites sold and assets leased back in the sale and operating leaseback transaction (Note 10(b)) was determined respectively by the replacement cost approach and the income approach through discounting the estimated cash flows to be generated from the lease payments over the life of the leased assets.

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Turnover

Turnover comprises revenues from the provision of mobile telecommunications services; handset and accessory sales; fixed-line telecommunications services in Hong Kong, and other non-telecommunications businesses. An analysis of turnover for both continuing and discontinued operations is as follows:

HK\$ millions	2006	2007	2008
Continuing operations			
Mobile telecommunications services	13,870	15,973	18,902
Mobile telecommunications products	1,396	1,965	2,080
Fixed-line telecommunications services	2,406	2,436	2,708
Other non-telecommunications businesses	251	27	35
	<u>17,923</u>	<u>20,401</u>	<u>23,725</u>
Discontinued operations			
Mobile telecommunications services	15,455	6,989	—
	<u>33,378</u>	<u>27,390</u>	<u>23,725</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment Information

Segment information is provided on the basis of primary geographical regions which is the basis on which the Group manages its world-wide interests. The Hong Kong and Macau region is further sub-divided into mobile telecommunications and fixed-line telecommunications business segments. Management of the Group measures the performance of its segments based on operating profit. The segment analysis is provided for the Group's continuing operations (see Note 13 for information on discontinued operations). The segment information on turnover and operating profit/(loss), total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

As at and for the year ended December 31, 2006									
HK\$ millions	Hong Kong and Macau			Israel	Thailand	Indonesia	Others*	Continuing operations Total	Discontinued operations -India
	Mobile	Fixed-line	Subtotal						
Turnover	4,199	2,406	6,605	9,796	1,017	—	505	17,923	15,455
Operating costs	(2,850)	(1,532)	(4,382)	(6,617)	(960)	(123)	(664)	(12,746)	(10,555)
Depreciation and amortization	(1,102)	(615)	(1,717)	(1,471)	(558)	(1)	(57)	(3,804)	(1,272)
Profit on disposal of investments and others, net	—	—	—	44	—	—	—	44	—
Operating profit/(loss)	<u>247</u>	<u>259</u>	<u>506</u>	<u>1,752</u>	<u>(501)</u>	<u>(124)</u>	<u>(216)</u>	<u>1,417</u>	<u>3,628</u>
Other non-cash items included in income statement:									
Share-based payments	(20)	(19)	(39)	(39)	—	—	(38)	(116)	—
Total assets	<u>7,986</u>	<u>10,794</u>	<u>18,780</u>	<u>12,795</u>	<u>5,072</u>	<u>3,688</u>	<u>1,211</u>	<u>41,546</u>	<u>38,172</u>
Total liabilities	<u>(7,291)</u>	<u>(6,161)</u>	<u>(13,452)</u>	<u>(6,885)</u>	<u>(10,562)</u>	<u>(1,931)</u>	<u>(366)</u>	<u>(33,196)</u>	<u>(24,105)</u>
Capital expenditures incurred during the year	<u>737</u>	<u>498</u>	<u>1,235</u>	<u>849</u>	<u>112</u>	<u>1,513</u>	<u>221</u>	<u>3,930</u>	<u>7,025</u>

* "Others" segment as at and for the year ended December 31, 2006 comprised Vietnam, Sri Lanka, Ghana, Corporate as well as the Group's non-telecommunications business in Hong Kong, the People's Republic of China, Malaysia and Singapore up to the date of disposal in July 2006.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment Information (continued)

HK\$ millions	As at and for the year ended December 31, 2007							Continuing operations Total	Discontinued operations -India
	Hong Kong and Macau			Israel	Thailand	Indonesia	Others*		
	Mobile	Fixed-line	Subtotal						
Turnover	4,775	2,436	7,211	11,650	973	117	450	20,401	6,989
Operating costs	(3,203)	(1,532)	(4,735)	(7,885)	(987)	(592)	(949)	(15,148)	(4,676)
Depreciation and amortization	(1,125)	(662)	(1,787)	(1,576)	(594)	(151)	(118)	(4,226)	(187)
Profit on disposal of investments and others, net	—	—	—	8	—	—	—	8	—
Impairment charge#	—	—	—	—	(3,854)	—	—	(3,854)	—
Operating profit/(loss)	<u>447</u>	<u>242</u>	<u>689</u>	<u>2,197</u>	<u>(4,462)</u>	<u>(626)</u>	<u>(617)</u>	<u>(2,819)</u>	<u>2,126</u>
Other non-cash items included in income statement:									
Share-based payments	<u>(20)</u>	<u>(32)</u>	<u>(52)</u>	<u>(33)</u>	<u>—</u>	<u>—</u>	<u>(138)</u>	<u>(223)</u>	<u>(151)</u>
Total assets	<u>7,914</u>	<u>10,678</u>	<u>18,592</u>	<u>13,766</u>	<u>787</u>	<u>5,858</u>	<u>37,420</u>	<u>76,423</u>	<u>—</u>
Total liabilities	<u>(6,919)</u>	<u>(1,179)</u>	<u>(8,098)</u>	<u>(7,026)</u>	<u>(1,874)</u>	<u>(3,871)</u>	<u>(1,418)</u>	<u>(22,287)</u>	<u>—</u>
Capital expenditures incurred during the year	<u>1,042</u>	<u>498</u>	<u>1,540</u>	<u>986</u>	<u>41</u>	<u>1,873</u>	<u>996</u>	<u>5,436</u>	<u>3,378</u>

* "Others" segment as at and for the year ended December 31, 2007 comprised Vietnam, Sri Lanka, Ghana and Corporate.

The impairment charge is a non-cash expense.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment Information (continued)

HK\$ millions	As at and for the year ended December 31, 2008							
	Hong Kong and Macau			Israel	Thailand	Indonesia	Others*	Total
	Mobile	Fixed-line	Subtotal			(Restated - Note 2(b))		(Restated - Note 2(b))
Turnover	5,376	2,693	8,069	13,813	1,192	315	336	23,725
Operating costs	(3,619)	(1,708)	(5,327)	(8,918)	(1,111)	(1,468)	(913)	(17,737)
Depreciation and amortization	(1,325)	(653)	(1,978)	(1,918)	(1)	(396)	(295)	(4,588)
Profit on disposal of investments and others, net	—	—	—	3	—	1,196	298	1,497
Operating profit/(loss)	432	332	764	2,980	80	(353)	(574)	2,897
Other non-cash items included in income statement:								
Share-based payments	(8)	(7)	(15)	(20)	—	—	(53)	(88)
Total assets	7,907	10,670	18,577	13,856	679	6,717	4,838	44,667
Total liabilities	(7,628)	(1,384)	(9,012)	(7,413)	(1,787)	(4,686)	(1,113)	(24,011)
Capital expenditures incurred during the year	1,399	535	1,934	1,191	34	3,030	445	6,634

* "Others" segment as at and for the year ended December 31, 2008 comprised Vietnam, Sri Lanka, Corporate and Ghana up to the date of disposal on July 11, 2008.

7. Staff Costs

HK\$ millions	2006	2007	2008
Wages and salaries	1,703	1,960	2,245
Termination benefits	50	76	139
Pension costs			
- defined benefit plans (Note 34(a))	12	21	21
- defined contribution plans	16	15	18
Share-based payments			
- equity-settled	116	223	88
	<u>1,897</u>	<u>2,295</u>	<u>2,511</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Staff Costs (continued)

(a) Directors' emoluments

Year ended December 31, 2006						
HK\$ millions	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Share-based payments	Total
Name of Director						
FOK Kin-ning, Canning	0.37	—	—	—	—	0.37
LUI Dennis Pok Man	0.27	3.59	11.00	0.28	14.12	29.26
Tim Lincoln PENNINGTON	0.27	3.48	2.73	0.61	5.23	12.32
Frank John SIXT	0.27	—	—	—	—	0.27
Naguib SAWIRIS	0.27	—	—	—	—	0.27
Aldo MAREUSE	0.27	—	—	—	—	0.27
KWAN Kai Cheong	0.65	—	—	—	—	0.65
John W STANTON	0.55	—	—	—	—	0.55
Kevin WESTLEY	0.65	—	—	—	—	0.65
	<u>3.57</u>	<u>7.07</u>	<u>13.73</u>	<u>0.89</u>	<u>19.35</u>	<u>44.61</u>

Year ended December 31, 2007						
HK\$ millions	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Share-based payments	Total
Name of Director						
FOK Kin-ning, Canning	0.37	—	—	—	—	0.37
LUI Dennis Pok Man	0.27	3.80	17.10	0.28	39.90	61.35
Tim Lincoln PENNINGTON	0.27	3.52	8.27	0.66	14.78	27.50
Frank John SIXT	0.27	—	—	—	—	0.27
Naguib SAWIRIS (Note (i))	0.04	—	—	—	—	0.04
Aldo MAREUSE	0.27	—	—	—	—	0.27
Michael John O'CONNOR (Note (ii))	0.23	—	—	—	—	0.23
KWAN Kai Cheong	0.65	—	—	—	—	0.65
John W STANTON	0.55	—	—	—	—	0.55
Kevin WESTLEY	0.65	—	—	—	—	0.65
	<u>3.57</u>	<u>7.32</u>	<u>25.37</u>	<u>0.94</u>	<u>54.68</u>	<u>91.88</u>

Notes:

(i) Mr Naguib Sawiris resigned as Director of the Company on February 28, 2007.

(ii) Mr Michael John O'Connor was appointed as Director of the Company on February 28, 2007.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Staff Costs (continued)

(a) Directors' emoluments (continued)

HK\$ millions	Year ended December 31, 2008					Total
	Fees	Basic salaries, allowances and benefits-in-kind	Bonuses	Provident fund contributions	Share-based payments	
Name of Director						
FOK Kin-ning, Canning	0.37	—	—	—	—	0.37
LUI Dennis Pok Man	0.27	3.98	10.89	0.30	10.61	26.05
Christopher John FOLL (Note (i))	0.10	0.98	0.60	0.07	0.13	1.88
Tim Lincoln PENNINGTON (Note (ii))	0.17	2.31	2.17	0.46	3.93	9.04
Frank John SIXT	0.27	—	—	—	—	0.27
CHAN Ting Yu (Note (iii))	0.27	2.99	3.07	0.21	3.89	10.43
CHOW WOO Mo Fong, Susan (Note (iii))	0.27	—	—	—	—	0.27
WONG King Fai, Peter (Note (iii))	0.27	3.28	6.76	0.24	3.11	13.66
Aldo MAREUSE (Note (iv))	—	—	—	—	—	—
Michael John O'CONNOR (Note (iv))	—	—	—	—	—	—
KWAN Kai Cheong	0.65	—	—	—	—	0.65
John W STANTON	0.55	—	—	—	—	0.55
Kevin WESTLEY	0.65	—	—	—	—	0.65
	<u>3.84</u>	<u>13.54</u>	<u>23.49</u>	<u>1.28</u>	<u>21.67</u>	<u>63.82</u>

Notes:

- (i) Mr Christopher John Foll was appointed as Director of the Company on August 20, 2008.
- (ii) Mr Tim Lincoln Pennington resigned as Director of the Company on August 20, 2008.
- (iii) Mr Chan Ting Yu, Mrs Chow Woo Mo Fong, Susan and Mr Wong King Fai, Peter were appointed as Directors of the Company on January 3, 2008.
- (iv) Mr Michael John O'Connor and Mr Aldo Mareuse resigned as Directors of the Company on January 3, 2008.

No emoluments were paid to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2006, 2007 and 2008.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

HK\$ millions	2006	2007	2008
Directors of the Company	2	2	4
Non-directors of the Company	<u>3</u>	<u>3</u>	<u>1</u>

The aggregate remuneration paid to these highest paid individuals, who are non-directors of the Company, is as follows:

HK\$ millions	2006	2007	2008
Basic salaries, allowances and benefits-in-kind	9	9	3
Bonuses	14	21	8
Provident fund contributions	1	1	1
Share-based payments	<u>11</u>	<u>33</u>	<u>2</u>
	<u>35</u>	<u>64</u>	<u>14</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Staff Costs (continued)

(b) Five highest paid individuals (continued)

The emoluments of the above mentioned individuals, with the highest emoluments fall within the following bands:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
	Number of individual	Number of individual	Number of individual
HK\$10,500,001 — HK\$11,000,000	2	—	—
HK\$12,500,001 — HK\$13,000,000	1	—	—
HK\$14,000,001 — HK\$14,500,000	—	—	1
HK\$15,500,001 — HK\$16,000,000	—	1	—
HK\$21,500,001 — HK\$22,000,000	—	1	—
HK\$25,500,001 — HK\$26,000,000	—	1	—
	<u> </u>	<u> </u>	<u> </u>

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2006, 2007 and 2008.

8. Other Operating Expenses

HK\$ millions	<u>2006</u>	<u>2007</u>	<u>2008</u>
			(Restated - Note 2(b))
Cost of services provided	5,706	6,668	7,673
General administrative and distribution costs	1,435	1,711	1,996
Loss on disposal of fixed assets	27	26	23
Impairment loss on stocks and non-current assets	—	—	17
Write-off of customer acquisition and retention costs	26	44	11
Operating leases in respect of			
- buildings	793	851	1,053
- hire of plant and machinery	440	541	801
Auditor's remuneration	65	67	54
Provision for impairment of trade receivables	113	255	261
Exchange losses/(gains)	16	(84)	404
Others	64	103	148
	<u>8,685</u>	<u>10,182</u>	<u>12,441</u>

9. Impairment Charge for Thailand Segment

During the year ended December 31, 2007, the Group recognized an impairment charge of HK\$3,854 million, in connection with the Group's investments in its mobile telecommunications business in Thailand. The charge was made based on the results of the impairment test for the Thailand segment as a CGU using the value-in-use model in accordance with IAS 36. The Group's operation in Thailand continued to suffer losses in 2007, but due to further intensification in price competition, together with high levels of penetration, regulations on interconnection and an uncertain political environment, the business environment had severely deteriorated during 2007. The cash flow forecasts for the Thailand segment also indicated that the carrying values of certain non-current assets were not expected to be recoverable from the future operating cash flows of the current business. The Group therefore recognized an impairment charge in respect of network equipment, telecommunications licenses and certain non-current assets for the Thailand segment for the year ended December 31, 2007.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Profit on Disposal of Investments and Others, Net

HK\$ millions	Note	2006	2007	2008 (Restated - Note 2(b))
Net profit on partial disposal of subsidiaries	(a)	(1)	8	3
Profit on disposal of base station tower sites	(b)	—	—	465
Profit on disposal of Ghana operations	(c)	—	—	298
Other income, net	(d)	—	—	731
Negative goodwill on acquisition of transmission business	(e)	45	—	—
		<u>44</u>	<u>8</u>	<u>1,497</u>

(a) Net profit on partial disposal of subsidiaries

During the year ended December 31, 2008, the Group recorded a gain on partial disposal of a subsidiary of approximately HK\$3 million (2007 – gain of HK\$8 million; 2006 – loss of HK\$1 million) following the exercise of the share options held by the option holders of Partner Communications.

(b) Profit on disposal of base station tower sites

On March 18, 2008, HCPT, a 60%-owned subsidiary of the Company, entered into a conditional Tower Transfer Agreement to sell up to 3,692 base station tower sites to PT Profesional Telekomunikasi Indonesia (“Protelindo”) for a cash consideration of US\$500 million (HK\$3,882 million). Completion of the sale is expected to occur in tranches over a two-year period commencing on March 18, 2008.

Concurrent with the completion of the first tranche, HCPT and Protelindo have entered into the MLA pursuant to which HCPT has been given (i) the right to access, occupy and use the capacity reserved for HCPT on such of the base station tower sites and related infrastructure as HCPT may elect for an initial period of twelve years which, at HCPT’s election, may be extended for another six years, and (ii) the option to acquire Protelindo’s right, title and interest in such facilities at a pre-agreed price exercisable at the end of the 12-year initial term and at the end of the 18-year extended term if HCPT has exercised its option to extend the lease.

The capacity on such base station tower sites reserved for HCPT which has been leased back under the MLA has been accounted for as a finance lease whereby the related gain on the sale has been deferred and amortized to the income statement over the lease period. The gain attributable to the remaining portion of the capacity of such base station tower sites which has not been leased back by HCPT was recognized in the income statement upon completion of the sale.

During the year ended December 31, 2008, the sale of a total of two tranches comprising 2,248 sites was completed whereby a gain of US\$182.2 million or HK1,421 million was generated from the sale, of which US\$54.6 million or HK\$426 million was recognized in the income statement upon completion of the sale and US\$127.6 million or HK\$995 million was deferred. Of the amount of the deferred gain, US\$4.9 million or HK\$39 million was amortized to the income statement for the year ended December 31, 2008. As at December 31, 2008, the balance of unamortized deferred gain was HK\$791 million, with HK\$69 million and HK\$722 million being classified as deferred revenue under current liabilities and non-current liabilities, respectively.

(c) Profit on disposal of Ghana operations

On January 17, 2008, Hutchison Telecommunications International (Cayman) Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement to sell the indirect interests in the Ghana operations for cash consideration of HK\$583.5 million. The transaction was completed on July 11, 2008 and the Group has realized a gain of HK\$298 million.

(d) Other income, net

During the year ended December 31, 2008, a subsidiary of the Company operating in Indonesia was provided with credit vouchers in compensation upon the waiver of certain contractual obligations of a key network supplier. The net amount of US\$93.7 million (approximately HK\$731 million) was included in the income statement for the year ended December 31, 2008 of which US\$29.9 million (approximately HK\$233 million) and US\$17.5 million (approximately HK\$136.5 million) remained in amounts receivable in current and non-current assets, respectively, in the balance sheet as at December 31, 2008.

(e) Negative goodwill on acquisition of transmission business

In July 2006, Partner Communications completed the acquisition of the transmission business of Med-1 I.C.1 (1999) Ltd and recorded negative goodwill of HK\$45 million.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Interest and Other Finance Costs, Net

HK\$ millions	<u>2006</u>	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Interest income	<u>66</u>	<u>1,619</u>	<u>1,074</u>
Interest and other finance costs			
Bank loans and overdrafts	1,045	681	159
Other loans repayable within 5 years	31	61	79
Other loans not wholly repayable within 5 years	18	1	—
Obligations under finance leases	1	1	95
Notes and debentures repayable within 5 years	—	273	374
Notes and debentures not repayable within 5 years	139	—	—
Notional non-cash interest accretion (<i>Note</i>)	277	343	386
Guarantee and other finance fees	163	58	62
Net exchange (gain)/loss on borrowings	(203)	(555)	285
	<u>1,471</u>	<u>863</u>	<u>1,440</u>
Less: Interest capitalized	(129)	(113)	(4)
	<u>1,342</u>	<u>750</u>	<u>1,436</u>
Fair value loss/(gain) on derivative instruments:			
Currency swap and forward contracts	265	620	22
Other derivatives	45	(35)	(40)
	<u>1,652</u>	<u>1,335</u>	<u>1,418</u>
Interest and other finance costs, net	<u>1,586</u>	<u>(284)</u>	<u>344</u>
Capitalization rate applied to funds borrowed for the funding of assets	<u>4.84% -7.49%</u>	<u>4.71% -7.36%</u>	<u>3.80% -6.98%</u>

Note: Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognized in the balance sheet such as license fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Taxation

HK\$ millions	For the year ended December 31								
	2006			2007			2008		
	Current taxation	Deferred taxation	Total	Current taxation	Deferred taxation	Total	Current taxation	Deferred taxation	Total
Hong Kong	(2)	—	(2)	(4)	23	19	(7)	65	58
Outside Hong Kong	611	44	655	694	(522)	172	1,032	(216)	816
	<u>609</u>	<u>44</u>	<u>653</u>	<u>690</u>	<u>(499)</u>	<u>191</u>	<u>1,025</u>	<u>(151)</u>	<u>874</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2007 - 17.5%, 2006 - 17.5%) on the estimated assessable profits less available tax losses. In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/2009. Taxation outside Hong Kong has been provided for at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge/(credit) at respective applicable tax rates and the Group's tax charge for the years were as follows:

HK\$ millions	2006	2007	2008 (Restated - Note 2(b))
Tax calculated at the domestic rates applicable to profits in the country concerned	91	(1,075)	489
Income not subject to taxation	(42)	(23)	(132)
Expenses not deductible for taxation purposes	40	277	32
Temporary differences not recognized	—	356	(244)
Recognition of previously unrecognized tax losses	—	—	(14)
Over provision in prior years	(16)	(68)	(2)
Tax losses not recognized	580	724	647
Withholding tax	—	—	78
Effect of change in tax rate	—	—	20
Total taxation charge	<u>653</u>	<u>191</u>	<u>874</u>

The change in average applicable tax rate is caused by a change in the profits tax rate in Hong Kong and a change in the profitability of the Group's subsidiaries in the respective countries.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Profit from Discontinued Operations

On February 11, 2007, the Company entered into an agreement to sell its entire interests in CGP Investments (Holdings) Limited (“CGP”), a company which held through various subsidiaries, the direct and indirect equity and loan interests in Hutchison Essar Limited (now known as Vodafone Essar Limited) and its subsidiaries to Vodafone International Holdings B.V., a wholly-owned subsidiary of Vodafone Group Plc, for a cash consideration of approximately US\$11.1 billion (approximately HK\$86.6 billion) (the “Transaction”). Accordingly, the results pertaining to the Indian mobile telecommunications were presented as discontinued operations in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The presentation of comparative information for the year ended December 31, 2006 conformed with the requirements of IFRS 5. On May 8, 2007, the Company completed the Transaction and recognized a disposal gain of approximately HK\$69,343 million. Profit pertaining to the Indian mobile telecommunications operations for the period ended May 8, 2007 was HK\$1,159 million and as a result, profit from discontinued operations of HK\$70,502 million was recorded for the year ended December 31, 2007. Note 6 sets out details of the operating results of the discontinued operations up to the date of disposal.

An analysis of the result of the discontinued operations, and the profit on disposal of discontinued operations, is as follows:

HK\$ millions	Year ended December 31, 2006	Period ended May 8, 2007
Turnover	15,455	6,989
Cost of inventories sold	(141)	(60)
Staff costs	(769)	(455)
Depreciation and amortization	(1,272)	(187)
Other operating expenses	(9,645)	(4,161)
Operating profit	3,628	2,126
Interest income	55	19
Interest and other finance costs, net	(1,111)	(625)
Profit before taxation	2,572	1,520
Taxation	(173)	(361)
Profit of discontinued operations	2,399	1,159
Profit on disposal of discontinued operations	—	69,343
Profit from discontinued operations	2,399	70,502
Attributable to:		
Equity holders of the Company	1,392	70,031
Minority interest	1,007	471
	<u>2,399</u>	<u>70,502</u>

14. Dividends

- (a) During the year ended December 31, 2008, the Company declared and paid a special cash dividend of HK\$7 per share, or approximately HK\$33,700 million in aggregate.
- (b) On March 4, 2009, the Board of Directors of the Company approved the payment of an interim dividend to be satisfied by way of a distribution in specie (the “Distribution”) of the entire share capital of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”), an indirect wholly-owned subsidiary of the Company, conditional on (i) the SEHK approving the proposed spin-off of HTHKH by the Company and HWL; and (ii) the SEHK granting approval for the listing of the entire share capital of HTHKH on the Main Board of the SEHK. HTHKH and its subsidiaries operate the Company’s mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong. The distribution amount is equivalent to the net asset value of HTHKH at the date of dividend distribution. The net asset value of HTHKH was approximately HK\$10,061 million as at December 31, 2008. This conditional interim dividend in specie was approved after the balance sheet date and has not been recognized as a liability at the balance sheet date. The Distribution was completed on May 7, 2009 and the shares of HTHKH were listed on the Main Board of the SEHK on May 8, 2009. HTHKH ceased to be a subsidiary of the Group and thereby the results of HTHKH up to May 7, 2009 will be presented as “discontinued operations” in the subsequent consolidated financial statements in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.
- (c) During the year ended December 31, 2007, the Company declared and paid a special cash dividend (the “Transaction Special Dividend”) of HK\$6.75 per share, or approximately HK\$32,234 million in aggregate. The Transaction Special Dividend was paid out of the proceeds from the disposal of CGP (Note 13).
- (d) The Company did not declare any dividend for the year ended December 31, 2006.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Earnings/(Loss) per Share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>2006</u>	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Weighted average number of shares in issue	4,754,324,568	4,775,095,834	4,794,472,939
(Loss)/Profit from continuing operations attributable to equity holders of the Company (HK\$ millions)	(1,191)	(3,147)	1,132
Basic (loss)/earnings per share from continuing operations attributable to equity holders of the Company (HK\$ per share)	<u>(0.25)</u>	<u>(0.66)</u>	<u>0.24</u>
Profit from discontinued operations attributable to equity holders of the Company (HK\$ millions)	1,392	70,031	—
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK\$ per share)	<u>0.29</u>	<u>14.67</u>	<u>—</u>
Profit attributable to equity holders of the Company (HK\$ millions)	201	66,884	1,132
Basic earnings per share attributable to equity holders of the Company (HK\$ per share)	<u>0.04</u>	<u>14.01</u>	<u>0.24</u>

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options that have been granted under the Company's share option scheme to reflect the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Earnings/(Loss) per Share (continued)

Partner Communications is the only subsidiary of the Company which has employee stock option plans. The dilutive impact on earnings per share arising from the employee stock options of Partner Communications outstanding as at December 31, 2008 is insignificant (2007 – N/A, 2006 – N/A).

	<u>2006</u>	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Weighted average number of shares in issue	4,754,324,568	4,775,095,834	4,794,472,939
Adjustment for share options (Note)	N/A	N/A	16,586,871
Weighted average number of shares for the purpose of diluted earnings per share	<u>4,754,324,568</u>	<u>4,775,095,834</u>	<u>4,811,059,810</u>
(Loss)/Profit from continuing operations attributable to equity holders of the Company (HK\$ millions)	(1,191)	(3,147)	1,132
Adjustment for dilutive impact arising from share options of a subsidiary (HK\$ millions)	N/A	N/A	(8)
(Loss)/Profit from continuing operations attributable to equity holders of the Company for the purpose of diluted earnings per share from continuing operations (HK\$ millions)	<u>(1,191)</u>	<u>(3,147)</u>	<u>1,124</u>
Diluted (loss)/earnings per share from continuing operations attributable to equity holders of the Company (HK\$ per share)	<u>(0.25)</u>	<u>(0.66)</u>	<u>0.24</u>
Profit from discontinued operations attributable to equity holders of the Company (HK\$ millions)	1,392	70,031	—
Diluted earnings per share from discontinued operations attributable to equity holders of the Company (HK\$ per share)	<u>0.29</u>	<u>14.67</u>	<u>—</u>
Profit attributable to equity holders of the Company (HK\$ millions)	201	66,884	1,132
Adjustment for dilutive impact arising from share options of a subsidiary (HK\$ millions)	N/A	N/A	(8)
Profit attributable to equity holders of the Company for the purpose of diluted earnings per share (HK\$ millions)	<u>201</u>	<u>66,884</u>	<u>1,124</u>
Diluted earnings per share attributable to equity holders of the Company (HK\$ per share)	<u>0.04</u>	<u>14.01</u>	<u>0.24</u>

Note: The Group has incurred a loss from continuing operations for the years ended December 31, 2006 and 2007, the conversion of all potential ordinary shares arising from the share options granted by the Company would have an anti-dilutive effect on the loss per share from continuing operations. Accordingly, the weighted average number of share was not adjusted to compute the diluted earnings per share.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Cash and Cash Equivalents

HK\$ millions	<u>2007</u>	<u>2008</u>
Cash at bank and on hand	1,211	509
Short-term bank deposits	35,400	2,016
	<u>36,611</u>	<u>2,525</u>

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

17. Trade and Other Receivables

HK\$ millions	<u>Note</u>	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Trade receivables		3,716	4,136
Less: Provision for impairment of trade receivables		(575)	(728)
Trade receivables, net of provision	(a)	3,141	3,408
Other receivables and prepayments	(b)	1,010	1,372
Held-to-maturity debt securities	(c)	551	—
		<u>4,702</u>	<u>4,780</u>

(a) Trade receivables, net of provision

HK\$ millions	<u>2007</u>	<u>2008</u>
The ageing analysis of trade receivables, net of provision for impairment of trade receivables is as follows:		
Current	1,506	1,969
31 - 60 days	655	615
61 - 90 days	151	187
Over 90 days	829	637
	<u>3,141</u>	<u>3,408</u>

The carrying value of trade receivables approximates to their fair value. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

As of December 31, 2008, trade receivables of HK\$858 million (2007 - HK\$652 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

HK\$ millions	<u>2007</u>	<u>2008</u>
The ageing analysis of trade receivables which were past due but not impaired is as follows:		
Past due 0 - 30 days	279	227
Past due 31 - 60 days	205	248
Past due 61 - 90 days	73	133
Past due over 90 days	95	250
	<u>652</u>	<u>858</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Trade and Other Receivables (continued)

(a) Trade receivables, net of provision (continued)

As of December 31, 2008, trade receivables of HK\$728 million (2007 - HK\$575 million) were impaired and provision for impairment has been fully provided for in the financial statements. The ageing of these trade receivables is as follows:

HK\$ millions	2007	2008
The ageing analysis of trade receivables which are impaired is as follows:		
Not due	38	30
Past due 0 - 30 days	14	22
Past due 31 - 60 days	56	82
Past due 61 - 90 days	25	33
Past due over 90 days	442	561
	<u>575</u>	<u>728</u>

Movement of provision for impairment of trade receivables is as follows:

HK\$ millions	2007	2008
Beginning of year	909	575
Relating to subsidiaries disposed of	(284)	—
Increase in provision recognized in income statement – continuing operations	255	334
Increase in provision recognized in income statement – discontinued operations	62	—
Amounts recovered in respect of brought forward balance – continuing operations	(79)	(73)
Write-off during the year	(338)	(107)
Exchange translation differences	50	(1)
End of year	<u>575</u>	<u>728</u>

The creation and release of provision for impaired receivables have been included in other operating expenses in the income statement (Note 8). Amount charged to the provision account is generally written off when there is no expectation of recovering additional cash.

(b) Other receivables and prepayments

Other receivables and prepayments comprise inter alia utilities and sundry deposits, prepaid expenses and prepayments to suppliers. The carrying value of other receivables approximates to their fair value. The other receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

(c) Held-to-maturity debt securities

The held-to-maturity debt securities as at December 31, 2007 represented investment in corporate and other bonds which were restricted to be used for repayment of the amounts due under the defeased finance lease arrangement. The security was retired during 2008 when the defeased finance lease arrangement was repaid.

18. Derivative Financial Assets and Liabilities

(a) Derivative financial assets

HK\$ millions	2007	2008
Not qualified for hedge		
Forward foreign exchange contracts	7	39
Other derivatives	18	9
	<u>25</u>	<u>48</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Derivative Financial Assets and Liabilities (continued)

(b) Derivative financial liabilities

HK\$ millions	2007	2008
Not qualified for hedge		
Currency swap	22	12
Forward foreign exchange contracts	97	2
Other derivatives	—	13
	<u>119</u>	<u>27</u>

As at December 31, 2008, the Group had outstanding currency swap and forward foreign exchange contracts with a notional amount of US\$108 million and Euro 6 million (2007 – US\$1,200 million).

Included in the above, as at December 31, 2007, the Group had currency swap and forward foreign exchange contract arrangements with banks to swap US dollars borrowings of US\$12 million or HK\$97 million and US dollars loans to subsidiaries of US\$1,095 million or HK\$8,539 million into Thai Baht borrowings to match currency exposures of the underlying business. On January 1, 2008, certain forward foreign exchange contracts with a notional amount of US\$1,095 million were designated as cash flow hedges of the foreign exchange risk in the Group’s Thailand operations arising from its US dollar intercompany loans from the Group and were subsequently closed out during the year ended December 31, 2008. As at December 31, 2008, the Group had outstanding currency swaps with a notional amount of US\$8 million to swap US dollars borrowings of US\$8 million or HK\$59 million into Thai Baht borrowings.

In addition, the Group has entered into derivative transactions, which were classified as other derivatives, in order to protect itself against increases in the Israeli Consumer Price Index (“CPI”) in respect of CPI-linked notes issued by a subsidiary in Israel. The notional amount of the outstanding other derivatives at as December 31, 2008 was NIS 800 million (2007 – NIS 1,000 million).

The derivative financial assets and liabilities mentioned above are classified as financial assets and liabilities at fair value through profit or loss. Accordingly, the fair value of each class of derivative financial assets and liabilities mentioned above is the same as the carrying cost presented above.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

19. Assets Held for Sale

Assets held for sale comprised the following:

HK\$ millions	2008
Assets held for sale	
Fixed assets	<u>174</u>

During the year ended December 31, 2008, the Group’s Vietnam operations received approval from The People’s Committee of Hanoi City to switch its operating spectrum from CDMA to GSM. While some equipment with modifications can be used in the new network, due to the difference in technology, certain equipment could not be re-used and therefore would not be used for the entire useful life that had initially been estimated. As such, a review of the useful life of such CDMA equipment was conducted and acceleration of depreciation was recorded. These assets were classified as held for sale in June 2008 and stated at the lower of cost and fair value less cost to sell up to December 31, 2008.

In August 2008, the Group has entered into agreements to sell these assets. The consideration is in the form of US\$12.8 million cash receivable and credit notes receivable to be used as credit towards future purchases of GSM equipment. As a result of the above, accelerated depreciation expense of US\$19.5 million (equivalent to HK\$152 million) was recorded during the year ended December 31, 2008 (Note 20) for the CDMA equipment. As at December 31, 2008, the fair value of the CDMA equipment pending for removal in 2009 was US\$22.3 million (equivalent to HK\$174 million), which has been classified as non-current assets held for sale.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Fixed Assets

The movement of fixed assets for the year ended December 31, 2007 is as follows:

HK\$ millions	<u>Buildings</u>	<u>Telecom- munications and network equipment</u>	<u>Construction in progress</u>	<u>Others</u>	<u>Total</u>
Cost					
As at January 1, 2007	230	43,539	2,750	7,050	53,569
Additions – continuing operations	—	3,444	831	479	4,754
Additions – discontinued operations	—	—	3,330	—	3,330
Disposals	(11)	(103)	(1)	(43)	(158)
Relating to subsidiaries disposed of (Note 31(c))	(157)	(20,130)	(2,390)	(1,655)	(24,332)
Transfer between categories	10	3,569	(4,168)	589	—
Exchange translation differences	13	2,292	338	348	2,991
As at December 31, 2007	<u>85</u>	<u>32,611</u>	<u>690</u>	<u>6,768</u>	<u>40,154</u>
Accumulated depreciation and impairment losses					
As at January 1, 2007	53	16,753	—	4,801	21,607
Charge for the year - continuing operations	3	2,011	—	784	2,798
Charge for the year - discontinued operations	1	131	—	29	161
Impairment loss for the year	—	2,681	—	211	2,892
Disposals	(4)	(58)	—	(38)	(100)
Relating to subsidiaries disposed of (Note 31(c))	(31)	(4,177)	—	(925)	(5,133)
Transfer between categories	—	2	—	(2)	—
Exchange translation differences	4	747	—	228	979
As at December 31, 2007	<u>26</u>	<u>18,090</u>	<u>—</u>	<u>5,088</u>	<u>23,204</u>
Net book value					
As at December 31, 2007	<u>59</u>	<u>14,521</u>	<u>690</u>	<u>1,680</u>	<u>16,950</u>

The movement of fixed assets for the year ended December 31, 2008 is as follows:

HK\$ millions	<u>Buildings</u>	<u>Telecom- munications and network equipment</u> (Restated - Note 2(b))	<u>Construction in progress</u>	<u>Others</u>	<u>Total</u> (Restated - Note 2(b))
Cost					
As at January 1, 2008	85	32,611	690	6,768	40,154
Additions	—	4,772	498	499	5,769
Disposals	—	(1,480)	(22)	(32)	(1,534)
Relating to subsidiaries disposed of (Note 31(c))	—	(142)	(3)	(50)	(195)
Transfer between categories	—	280	(331)	51	—
Transfer to other assets	—	(17)	—	—	(17)
Transfer to assets held for sale	—	(323)	(30)	—	(353)
Exchange translation differences	(1)	(214)	38	(30)	(207)
As at December 31, 2008	<u>84</u>	<u>35,487</u>	<u>840</u>	<u>7,206</u>	<u>43,617</u>
Accumulated depreciation and impairment losses					
As at January 1, 2008	26	18,090	—	5,088	23,204
Charge for the year	2	2,355	—	623	2,980
Disposals	—	(636)	—	(31)	(667)
Relating to subsidiaries disposed of (Note 31(c))	—	(62)	—	(11)	(73)
Transfer between categories	—	45	—	(45)	—
Transfer to assets held for sale	—	(179)	—	—	(179)
Exchange translation differences	(1)	(24)	—	(23)	(48)
As at December 31, 2008	<u>27</u>	<u>19,589</u>	<u>—</u>	<u>5,601</u>	<u>25,217</u>
Net book value					
As at December 31, 2008	<u>57</u>	<u>15,898</u>	<u>840</u>	<u>1,605</u>	<u>18,400</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Fixed Assets (continued)

During the year ended December 31, 2008, the Group recognized total additional depreciation of HK\$329 million that comprised accelerated depreciation for CDMA equipment not convertible to GSM and their related capitalized expenses of HK\$152 million and HK\$15 million respectively (Note 19); and an amount of HK\$162 million resulting from replacement of existing 3G network equipment with a third party vendor over a period of three years by Partner Communications.

The carrying values of all fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Other assets include motor vehicles, office furniture and equipment, computer equipment and leasehold improvements.

Analysis of the net book value of buildings is as follows:

HK\$ millions	<u>2007</u>	<u>2008</u>
Hong Kong		
Long leasehold (not less than 50 years)	1	1
Medium leasehold (less than 50 years but not less than 10 years)	50	48
Outside Hong Kong		
Freehold	8	8
	<u>59</u>	<u>57</u>

The fixed assets of the Group held under finance lease arrangements are as follows:

HK\$ millions	<u>2007</u>	<u>2008</u> (Restated - Note (b))
a) Telecommunications and network equipment held under finance leases		
Cost	3,222	1,231
Accumulated depreciation and impairment losses	(2,891)	(47)
Net book value	<u>331</u>	<u>1,184</u>
Depreciation during the year	<u>126</u>	<u>183</u>
Impairment loss during the year	<u>—</u>	<u>—</u>
(b) Other assets held under finance leases		
Cost	45	48
Accumulated depreciation and impairment losses	(16)	(26)
Net book value	<u>29</u>	<u>22</u>
Depreciation during the year	<u>9</u>	<u>10</u>
Impairment loss during the year	<u>—</u>	<u>—</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

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21. Goodwill

HK\$ millions	2007	2008
Gross carrying amount and net book value at beginning of year	19,571	6,070
Relating to additional equity interests in subsidiaries acquired	—	983
Relating to subsidiaries partially disposed of	(17)	(4)
Relating to subsidiaries disposed of (Note 31(c))	(14,835)	(79)
Exchange translation differences	1,351	(155)
Gross carrying amount and net book value at end of year	<u>6,070</u>	<u>6,815</u>
Accumulated impairment losses at beginning and end of year	<u>—</u>	<u>—</u>

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below.

HK\$ millions	2007	2008
Hong Kong and Macau		
Mobile telecommunications	1,465	2,130
Fixed-line telecommunications	2,385	2,385
	3,850	4,515
Israel	988	1,305
Indonesia	980	826
Multiple units without significant goodwill	252	169
	<u>6,070</u>	<u>6,815</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period to 2013.

Key assumptions used for value-in-use calculations are:

- (i) Budgeted earnings before interest, taxation, depreciation and amortization ("EBITDA") has been based on past performance of the Group's respective CGUs and its expectation for the market development. Management considers EBITDA a proxy for operating cash flow.
- (ii) A long-term growth rate into perpetuity was not used to extrapolate cash flows beyond the budget period. Instead, management used long-term average growth rate to determine the terminal value of the Group's respective CGUs.
- (iii) The discount rate applied to cash flows of the Group's respective CGUs ranged from 7.4% to 14.5% based on pre-tax discount rate and reflects the specific risks relating to the relevant segment. The discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets.

In accordance with the Group's accounting policy on asset impairment (Note 2(o)), the carrying values of goodwill were tested for impairment as at December 31, 2008 and December 31, 2007. Note 3(a)(iii) contains information about the estimates, assumptions and judgments relating to goodwill impairment tests. The results of the tests undertaken as at December 31, 2008 and December 31, 2007 indicated no impairment charge was necessary.

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22. Other Intangible Assets

HK\$ millions	Telecom- munications licenses	Customer acquisition and retention costs	Brand name	Customer base	Total
As at January 1, 2007					
Cost	10,105	1,179	753	3,631	15,668
Accumulated amortization	(3,273)	(813)	(79)	(743)	(4,908)
Net book value	<u>6,832</u>	<u>366</u>	<u>674</u>	<u>2,888</u>	<u>10,760</u>
Year ended December 31, 2007					
Opening net book value	6,832	366	674	2,888	10,760
Additions – continuing operations	80	602	—	—	682
Additions – discontinued operations	48	—	—	—	48
Write-off during the year	—	(44)	—	—	(44)
Relating to subsidiaries disposed of (Note 31(c))	(1,829)	—	—	(40)	(1,869)
Amortization for the year – continuing operations	(416)	(424)	(45)	(404)	(1,289)
Amortization for the year – discontinued operations	(17)	—	—	(7)	(24)
Impairment for the year	(947)	—	—	—	(947)
Exchange translation differences	289	—	40	172	501
Closing net book value	<u>4,040</u>	<u>500</u>	<u>669</u>	<u>2,609</u>	<u>7,818</u>
As at December 31, 2007					
Cost	7,824	1,143	798	3,753	13,518
Accumulated amortization	(3,784)	(643)	(129)	(1,144)	(5,700)
Net book value	<u>4,040</u>	<u>500</u>	<u>669</u>	<u>2,609</u>	<u>7,818</u>
As at January 1, 2008					
Cost	7,824	1,143	798	3,753	13,518
Accumulated amortization	(3,784)	(643)	(129)	(1,144)	(5,700)
Net book value	<u>4,040</u>	<u>500</u>	<u>669</u>	<u>2,609</u>	<u>7,818</u>
Year ended December 31, 2008					
Opening net book value	4,040	500	669	2,609	7,818
Additions	—	865	—	—	865
Write-off during the year	—	(11)	—	—	(11)
Relating to subsidiaries disposed of (Note 31(c))	(62)	—	—	—	(62)
Amortization for the year	(377)	(597)	(52)	(463)	(1,489)
Exchange translation differences	(109)	—	27	121	39
Closing net book value	<u>3,492</u>	<u>757</u>	<u>644</u>	<u>2,267</u>	<u>7,160</u>
As at December 31, 2008					
Cost	7,623	1,735	826	3,885	14,069
Accumulated amortization	(4,131)	(978)	(182)	(1,618)	(6,909)
Net book value	<u>3,492</u>	<u>757</u>	<u>644</u>	<u>2,267</u>	<u>7,160</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Other Non-current Assets

HK\$ millions	Note	2007	2008
Prepaid capacity and maintenance	(a)	1,225	1,197
Other receivables and prepayments	(b)	1,657	2,647
Long-term deposits	(c)	452	—
Pension assets (Note 34(a))		20	—
		<u>3,354</u>	<u>3,844</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the non-current assets mentioned above. These non-current assets contain no impaired assets.

(a) The movement of prepaid capacity and maintenance is as follows:

HK\$ millions	2007	2008
Net book value at January 1	1,425	1,225
Additions	83	80
Amortization for the year – continuing operations	(126)	(108)
Amortization for the year – discontinued operations	(2)	—
Relating to subsidiary disposed of	(167)	—
Exchange translation differences	12	—
Net book value at December 31	<u>1,225</u>	<u>1,197</u>

(b) Other receivables and prepayments are carried at amortized cost. The carrying value of other receivables approximates their fair value at the balance sheet date, which are based on cash flows discounted using a rate based on the borrowing rate of 2.70% to 8.65% per annum (2007 – 4.24% to 7.50% per annum).

(c) As at December 31, 2007, the long-term deposits were pledged to a bank as collateral to certain performance bonds required by the Office of the Telecommunications Authority (“OFTA”) in Hong Kong under the terms of the mobile telecommunications license granted to a subsidiary. The deposits were released during 2008.

24. Interests in Jointly-controlled Entities

HK\$ millions	2008
Investments	99
Share of undistributed post acquisition reserves	(11)
	<u>88</u>

Particulars regarding the jointly-controlled entities are set forth on page F-70.

The Group’s share of assets and liabilities, results and capital commitments of the jointly-controlled entities are as below:

HK\$ millions	2008
Non-current assets	9
Current assets	89
Current liabilities	(87)
Non-current liabilities	(22)
Net liabilities	<u>(11)</u>
Revenue	3
Expenses	(14)
Loss before and after taxation	<u>(11)</u>
Capital commitments	<u>4</u>

There are no contingent liabilities related to the Group’s interest in the jointly-controlled entities and no contingent liabilities of the jointly-controlled entities themselves.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Deferred Taxation

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 following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

HK\$ millions	<u>2007</u>	<u>2008</u>
Deferred tax assets	376	368
Deferred tax liabilities	(584)	(457)
Net deferred tax liabilities	<u>(208)</u>	<u>(89)</u>

The gross movement of the deferred tax (liabilities)/assets is as follows:

HK\$ millions	Accelerated depreciation allowance	Tax losses	Fair value adjustments arising from business combination	Other temporary differences	Total
As at January 1, 2007	(2,044)	2,775	(913)	104	(78)
Net credit / (charge) for the year – continuing operations (Note 12)	387	(13)	130	(5)	499
Net (charge) / credit for the year – discontinued operations	(341)	107	—	60	(174)
Relating to subsidiaries disposed of (Note 31(c))	791	(1,075)	—	(153)	(437)
Exchange translation differences	21	17	(54)	(2)	(18)
As at December 31, 2007	<u>(1,186)</u>	<u>1,811</u>	<u>(837)</u>	<u>4</u>	<u>(208)</u>
As at January 1, 2008	(1,186)	1,811	(837)	4	(208)
Net (charge) / credit for the year, as restated (Notes 2(b)&12)	(270)	(136)	138	419	151
Exchange translation differences, as restated (Note 2(b))	75	(13)	(38)	(56)	(32)
As at December 31, 2008, as restated	<u>(1,381)</u>	<u>1,662</u>	<u>(737)</u>	<u>367</u>	<u>(89)</u>

The potential deferred tax assets which have not been recognized in the financial statements are as follows:

HK\$ millions	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
Arising from unused tax losses	3,274	3,325
Arising from depreciation allowances	440	272
Arising from other temporary differences	<u>322</u>	<u>450</u>

The utilization of unused tax losses depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Out of the total unrecognized tax losses of HK\$13,381 million (2007 - HK\$12,444 million) carried forward, an amount of HK\$4,144 million (2007 - HK\$3,843 million) can be carried forward indefinitely. The remaining HK\$9,237 million (2007 - HK\$8,601 million) will expire in the following years:

HK\$ millions	<u>2007</u>	<u>2008</u> (Restated - Note 2(b))
In the first year	1,448	1,271
In the second year	1,509	1,477
In the third year	1,419	1,765
In the fourth year	2,000	1,277
In the fifth to tenth years inclusive	<u>2,225</u>	<u>3,447</u>
	<u>8,601</u>	<u>9,237</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Trade and other payables

HK\$ millions	Note	2007	2008 (Restated - Note 2(b))
Trade payables	(a)	1,752	1,964
Accrued expenses and other payables		4,236	4,224
Deferred revenue		349	414
Receipts in advance		927	1,066
Payables to related companies (Note 37(c))		61	43
Current portion of license fees liabilities (Note 28(a))		577	358
		<u>7,902</u>	<u>8,069</u>

(a) Trade payables

HK\$ millions	2007	2008
The ageing analysis of trade payables is as follows:		
Current	1,008	1,305
31-60 days	649	392
61-90 days	27	125
Over 90 days	68	142
	<u>1,752</u>	<u>1,964</u>

27. Borrowings

HK\$ millions	2007	2008 (Restated - Note 2(b))
Current		
Bank loans	4,515	5,594
Other loans	568	960
Notes and debentures	—	1,098
	<u>5,083</u>	<u>7,652</u>
Non-current		
Bank loans	54	19
Other loans	1,814	1,096
Notes and debentures	4,069	3,319
	<u>5,937</u>	<u>4,434</u>
Total borrowings	<u>11,020</u>	<u>12,086</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Borrowings (continued)

The maturity of borrowings is as follows:

HK\$ millions	2007	2008 (Restated - Note 2(b))
Bank loans		
Not later than 1 year	4,515	5,594
After 1 year, but within 2 years	35	19
After 2 years, but within 5 years	19	—
Other loans		
Not later than 1 year	568	960
After 1 year, but within 2 years	1,814	136
After 2 years, but within 5 years	—	461
After 5 years	—	499
Notes and debentures		
Not later than 1 year	—	1,098
After 1 year, but within 2 years	1,009	1,473
After 2 years, but within 5 years	3,060	1,846
Total borrowings	<u>11,020</u>	<u>12,086</u>

The Group's borrowings as at December 31, 2007 and 2008 by segment, as well as information regarding maturities and interest expenses for the years ended December 31, 2007 and 2008 in respect of such debt are as follows:

HK\$ millions	As at and for the year ended December 31, 2007			
	Current portion	Non-current portion	Total borrowings	Interest expenses
Hong Kong and Macau				
Mobile telecommunications	4,600	—	4,600	216
Fixed-line telecommunications	4	—	4	123
India	—	—	—	672
Israel	47	4,072	4,119	283
Thailand	347	57	404	320
Indonesia	—	1,808	1,808	61
Others	85	—	85	14
	<u>5,083</u>	<u>5,937</u>	<u>11,020</u>	<u>1,689</u>

HK\$ millions	As at and for the year ended December 31, 2008			
	Current portion	Non-current portion (Restated - Note 2(b))	Total borrowings (Restated - Note 2(b))	Interest expenses (Restated - Note 2(b))
Hong Kong and Macau				
Mobile telecommunications	5,215	—	5,215	134
Fixed-line telecommunications	—	—	—	—
Israel	1,150	3,329	4,479	385
Thailand	339	19	358	18
Indonesia	948	1,086	2,034	167
Others	—	—	—	3
	<u>7,652</u>	<u>4,434</u>	<u>12,086</u>	<u>707</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Borrowings (continued)

Included in the other loans are obligations under finance leases repayable as follows:

HK\$ millions	2007	2008 (Restated - Note 2(b))
Finance lease obligations - minimum lease payments:		
Not later than 1 year	564	13
After 1 year, but within 2 years	7	177
After 2 years, but within 5 years	—	725
After 5 years	—	1,504
	<u>571</u>	<u>2,419</u>
Future finance charges on finance lease obligations	—	(1,311)
Present value of finance lease obligations	<u>571</u>	<u>1,108</u>

The present value of finance lease obligations is as follows:

Not later than 1 year	564	12
After 1 year, but within 2 years	7	136
After 2 years, but within 5 years	—	461
After 5 years	—	499
	<u>571</u>	<u>1,108</u>

The Group's outstanding borrowings are denominated in the following currencies:

HK\$ millions	2007	2008 (Restated - Note 2(b))
Hong Kong dollars	4,138	5,215
New Israeli Shekel	4,099	4,472
Thai Baht	309	301
US dollars	2,474	2,098
	<u>11,020</u>	<u>12,086</u>

The Group's borrowings, including interest rates and maturities, are summarized as follows:

HK\$ millions	Maturity date	2007	2008 (Restated - Note 2(b))
Secured bank loans			
Variable, Nil (2007 - 5.09%) per annum	2008	4,049	—
Unsecured bank loans			
Variable, 2.70% to 4.27% (2007 - 4.24% to 5.85%) per annum	2008 – 2010	520	5,613
Other secured loans			
Finance lease obligations	2008	551	—
Variable, 5.89% (2007 - 6.45%) per annum	2009	1,807	948
Other unsecured loans			
Finance lease obligations	2009 – 2023	20	1,108
Fixed, Nil (2007 - 7.50%) per annum	2008	4	—
Notes and debentures			
Variable, 8.65% (2007 - 4.25%) per annum	2012	4,069	4,417
Total borrowings		<u>11,020</u>	<u>12,086</u>
Less: Total borrowings repayable within twelve months		<u>(5,083)</u>	<u>(7,652)</u>
Total non-current borrowings		<u>5,937</u>	<u>4,434</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Borrowings (continued)

The fair values of the Group's total borrowings at December 31, 2008 are based on cash flows discounted using the effective interest rates of the Group's total borrowings, excluding obligations under finance lease, ranging from 2.70% to 8.65% (2007 - 4.25% to 7.50%).

The fair values of the Group's total borrowings as at December 31, 2008 were approximately HK\$12,091 million (2007 - HK\$11,117 million).

As at December 31, 2008, total borrowings of HK\$69 million (2007 - HK\$182 million) were guaranteed by members of HWL group in respect of loans to the Group's Thailand operations only. Under the terms of a credit support agreement between the Company and HWL group, the Company agreed to pay a guarantee fee charged at normal commercial rates. The Company has also provided a counter-indemnity in favour of HWL and its related companies in respect of such guarantees, for so long as there remains a guarantee liability. The total amount of fees paid to HWL group in 2008 in respect of these borrowings was HK\$10 million (2007 - HK\$54 million).

As at December 31, 2008, fixed assets and current assets of certain subsidiaries were used as collateral for certain of the borrowings. As at December 31, 2008, these fixed assets and current assets had a carrying value of HK\$1,131 million (2007 - HK\$4,971 million) and HK\$14 million (2007 - HK\$2,398 million) respectively. As at December 31, 2008, the Group had total current borrowings of HK\$7,652 million (2007 - HK\$5,083 million) and total non-current borrowings of HK\$4,434 million (2007 - HK\$5,937 million) respectively, HK\$948 million (2007 - HK\$4,600 million) of the Group's current borrowings and none of (2007 - HK\$1,807 million) the Group's non-current borrowings as at December 31, 2008 were secured.

During 2007, the Group provided intercompany loans to the Group's Thailand operations in US dollars totalling HK\$9,327 million to fully repay six outstanding commercial loan facilities with international lenders. In December 2006, the Bank of Thailand imposed unremunerated reserve requirements on the conversion of foreign currency into Thai Baht, which were subsequently removed on March 3, 2008. This affected the Group's ability to freely convert the US dollars proceeds to Thai Baht. To receive an exemption from the unremunerated reserve requirement imposed on conversion of foreign currency loan proceeds to Thai Baht, the Group entered into forward foreign exchange contracts with various banks in Thailand. As at December 31, 2007, the Group had US\$1,095 million outstanding under these forward foreign exchange contracts where the Group had commitments to sell Thai Baht and buy US dollars at pre-agreed rates (Note 18). All of these outstanding forward foreign exchange contracts were closed out during 2008.

28. Other Non-current Liabilities

HK\$ millions	Note	2007	2008 (Restated - Note 2(b))
Non-current license fees liabilities	(a)	2,289	1,996
Pension obligations (Note 34(a))		13	107
Employee retirement obligations		88	148
Accrued expenses and other payables		161	295
Deferred revenue		—	722
		<u>2,551</u>	<u>3,268</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Other Non-current Liabilities (continued)

(a) License fees liabilities

HK\$ millions	2007	2008
License fees liabilities - minimal annual fees payments:		
Not later than 1 year	607	389
After 1 year, but within 5 years	1,981	1,989
After 5 years	<u>1,911</u>	<u>1,208</u>
	4,499	3,586
Future finance charges on license fees liabilities	<u>(1,633)</u>	<u>(1,232)</u>
Present value of license fees liabilities	<u>2,866</u>	<u>2,354</u>
The present value of license fees liabilities is as follows:		
Current portion of license fees liabilities (Note 26)	<u>577</u>	<u>358</u>
Non-current license fees liabilities:		
After 1 year, but within 5 years	1,384	1,395
After 5 years	<u>905</u>	<u>601</u>
	<u>2,289</u>	<u>1,996</u>
Total license fees liabilities	<u>2,866</u>	<u>2,354</u>

29. Share Capital

(a) Authorized share capital of the Company

The authorized share capital of the Company is comprised of 10 billion ordinary shares of HK\$0.25 each (2007 - 10 billion ordinary shares of HK\$0.25 each) and 1 million preference shares of US\$0.01 each (2007 - 1 million preference shares of US\$0.01 each).

(b) Issued share capital of the Company

	<u>Number of shares</u>	<u>Issued and fully paid</u> HK\$ millions
Balance at January 1, 2007	4,765,972,542	1,191
Issued during the year (Note 35(a))	<u>16,190,333</u>	<u>4</u>
Balance at December 31, 2007	<u>4,782,162,875</u>	<u>1,195</u>
Balance at January 1, 2008	4,782,162,875	1,195
Issued during the year (Note 35(a))	<u>32,183,333</u>	<u>9</u>
Balance at December 31, 2008	<u>4,814,346,208</u>	<u>1,204</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Reserves

HK\$ millions	Share premium	Retained earnings / (Accumulated losses)	Cumulative translation adjustments	Fair value and other reserves	Investment revaluation reserves	Total
As at January 1, 2006, as previously reported	21,187	(7,114)	(441)	117	1,233	14,982
Retrospective adjustment in respect of adoption of the amendment to IAS 21	—	(9)	9	—	—	—
As at January 1, 2006, as restated	21,187	(7,123)	(432)	117	1,233	14,982
Currency translation differences	—	—	64	1	—	65
Profit attributable to equity holders of the Company for the year	—	201	—	—	—	201
Transfer between reserves	—	(4)	—	4	—	—
Employee share option scheme – value of services provided	—	—	—	96	—	96
Issuance of ordinary shares arising from exercise of employee share options	154	—	—	(41)	—	113
Actuarial gains of defined benefit plans	—	11	—	—	—	11
As at December 31, 2006	21,341	(6,915)	(368)	177	1,233	15,468
As at January 1, 2007	21,341	(6,915)	(368)	177	1,233	15,468
Currency translation differences	—	—	749	3	—	752
Profit attributable to equity holders of the Company for the year	—	66,884	—	—	—	66,884
Relating to subsidiaries disposed of (Note 31(c))	—	—	(1,115)	—	—	(1,115)
Dividend paid (Note 14)	—	(32,234)	—	—	—	(32,234)
Employee share option scheme – value of services provided	—	—	—	207	—	207
Issuance of ordinary shares arising from exercise of employee share options	169	—	—	(78)	—	91
Actuarial gains of defined benefit plans	—	36	—	—	—	36
As at December 31, 2007	21,510	27,771	(734)	309	1,233	50,089
As at January 1, 2008	21,510	27,771	(734)	309	1,233	50,089
Currency translation differences, as restated (Note 2(b))	—	—	(255)	(51)	—	(306)
Cash flow hedges						
- effective portion of changes in fair value	—	—	—	(28)	—	(28)
- transfer from equity to income statement	—	—	—	28	—	28
Profit attributable to equity holders of the Company for the year, as restated (Note 2(b))	—	1,132	—	—	—	1,132
Relating to subsidiaries disposed of (Note 31(c))	—	—	37	—	—	37
Relating to dilution of interest in a subsidiary	—	—	—	(11)	—	(11)
Dividend paid (Note 14)	—	(33,700)	—	—	—	(33,700)
Employee share option scheme – value of services provided	—	—	—	78	—	78
Issuance of ordinary shares arising from exercise of employee share options	303	—	—	(248)	—	55
Actuarial losses of defined benefit plans	—	(109)	—	—	—	(109)
As at December 31, 2008, as restated	21,813	(4,906)	(952)	77	1,233	17,265

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Notes to Consolidated Cash Flow Statement

(a) Purchase of subsidiaries

HK\$ millions	2006	2007	2008
Net assets acquired (excluding cash and cash equivalents):			
Fixed assets	906	—	—
Goodwill	4,681	—	—
Other intangible assets			
- telecommunications license	264	—	—
- brand name and customer base	108	—	—
Stocks	3	—	—
Trade and other receivables	262	—	—
Borrowings (Note (d))	(3,238)	—	—
Trade and other payables	(1,020)	—	—
	<u>1,966</u>	<u>—</u>	<u>—</u>
Discharged by:			
Cash payment	—	—	—
Less: Cash and cash equivalents acquired	(41)	—	—
Total net cash consideration	(41)	—	—
Prepayment for acquisition of subsidiaries	2,007	—	—
	<u>1,966</u>	<u>—</u>	<u>—</u>

(b) Purchase of transmission business

HK\$ millions	2006	2007	2008
Net assets acquired:			
Fixed assets	137	—	—
Other intangible assets			
- customer base	48	—	—
Deferred tax liabilities	(16)	—	—
	<u>169</u>	<u>—</u>	<u>—</u>
Discharged by:			
Cash payment	124	—	—
Negative goodwill recognized directly in the consolidated income statement	45	—	—
	<u>169</u>	<u>—</u>	<u>—</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Notes to Consolidated Cash Flow Statement (continued)

(c) Disposal of subsidiaries

HK\$ millions	2006	2007	2008
Net assets disposed of (excluding cash and cash equivalents):			
Fixed assets (Note 20)	47	19,199	122
Goodwill (Note 21)	—	14,835	79
Other intangible assets (Note 22)	—	1,869	62
Other non-current assets	—	471	—
Stocks	61	73	27
Deferred tax assets (Note 25)	3	1,228	—
Trade and other receivables	250	7,306	54
Borrowings (Note (d))	(63)	(18,547)	(4)
Trade and other payables	(273)	(18,214)	(115)
Cost, fees and expenses, accrued and paid	—	4,019	39
Taxation	(20)	(252)	—
Derivative financial liabilities	(3)	(92)	—
Other long-term liabilities	—	(353)	(21)
Deferred tax liabilities (Note 25)	—	(791)	—
Exchange reserve (Note 30)	—	(1,115)	37
Intercompany balance assigned to vendor	—	8,681	—
Minority interest (Note (d))	—	(4,475)	—
	2	13,842	280
Profit on disposal of subsidiaries	—	69,343	298
	<u>2</u>	<u>83,185</u>	<u>578</u>
Satisfied by:			
Cash payment	105	84,663	583
Less: Cash and cash equivalents disposed of	(103)	(1,478)	(5)
	<u>2</u>	<u>83,185</u>	<u>578</u>

(d) Analysis of changes in financing during the year

HK\$ millions	Borrowings	Minority interest	Total
As at January 1, 2006	26,692	3,652	30,344
New loans	33,605	—	33,605
Repayment of loans	(25,532)	(188)	(25,720)
Net cash generated from/(used in) financing activities	8,073	(188)	7,885
Minority interest in profit	—	1,375	1,375
Exchange translation differences	1,396	256	1,652
Relating to subsidiaries acquired (Note (a))	3,238	—	3,238
Relating to additional interest in subsidiaries acquired	—	(524)	(524)
Relating to a subsidiary disposed of (Note (c))	(63)	—	(63)
Relating to exercise of share options of a subsidiary	—	67	67
Equity contribution from minority shareholders	—	1,368	1,368
Dividend paid to minority shareholders	—	(266)	(266)
Share of other reserves	—	17	17
Actuarial gains of defined benefit plans	—	1	1
Amortization of loan facility fees	81	—	81
As at December 31, 2006	<u>39,417</u>	<u>5,758</u>	<u>45,175</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Notes to Consolidated Cash Flow Statement (continued)

(d) Analysis of changes in financing during the year (continued)

HK\$ millions	Borrowings	Minority interest	Total
As at January 1, 2007	39,417	5,758	45,175
New loans	7,847	608	8,455
Repayment of loans	(20,184)	—	(20,184)
Net cash (used in)/generated from financing activities	(12,337)	608	(11,729)
Minority interest in profit	—	892	892
Fair value gain on derivative instruments	(530)	—	(530)
Settlement of derivative instruments	473	—	473
Relating to a subsidiary disposed of (Note (c))	(18,547)	(4,475)	(23,022)
Relating to exercise of share options of a subsidiary	—	117	117
Dividend paid to minority shareholders	—	(594)	(594)
Share of other reserves	—	16	16
Actuarial gains of defined benefit plans	—	2	2
Amortization of loan facility fees	78	—	78
Exchange translation differences	2,466	528	2,994
As at December 31, 2007	11,020	2,852	13,872

HK\$ millions	Borrowings (Restated - Note 2(b))	Minority interest (Restated - Note 2(b))	Total (Restated - Note 2(b))
As at January 1, 2008	11,020	2,852	13,872
New loans	10,819	6	10,825
Repayment of loans	(9,775)	—	(9,775)
Net cash generated from financing activities	1,044	6	1,050
Minority interest in profit	—	536	536
Settlement of derivative instruments	11	—	11
Relating to a subsidiary disposed of (Note (c))	(4)	—	(4)
Relating to exercise of share options of a subsidiary	—	40	40
Dividend paid to minority shareholders	—	(1,006)	(1,006)
Share of other reserves	—	81	81
Actuarial losses of defined benefit plans	—	(2)	(2)
Amortization of loan facility fees	33	—	33
Relating to share buyback of a subsidiary	—	(481)	(481)
Relating to acquisition of additional equity interest in a subsidiary	—	95	95
Exchange translation differences	(18)	66	48
As at December 31, 2008	12,086	2,187	14,273

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Contingent Liabilities

As at December 31, 2008, the Group had contingent liabilities in respect of the following:

- (a) performance guarantees amounting to approximately HK\$50 million (2007 – HK\$60 million).
- (b) a guarantee amounting to approximately HK\$503 million (2007 – Nil) to a bank as collateral to a performance bond required by the OFTA in Hong Kong under the terms of the mobile telecommunications license granted to a subsidiary.
- (c) a total of 18 claims against the Company’s subsidiary in Israel, Partner Communications, and, in some such claims, together with other cellular operators in Israel, each with a motion to certify as class action, in respect of the following:

In approximate HK\$ millions	Amount of claim	
	2007	2008
Alleged violation of antitrust law	238	246
Alleged consumer complaints	5,025	1,719
Alleged unauthorized erection of cellular antennas, causing environmental damages	1,980	2,050

At this stage, and until the claims are recognized as class actions, the Company and Partner Communications are unable to evaluate the probability of success of such claims and therefore no provision has been made.

- (d) a potential claim of approximately NIS 42.5 million (approximately HK\$87 million) (2007 – Nil) by the Ministry of Communications in Israel (the “MOC”) in respect of the past use of certain frequency band by Partner Communications pursuant to an agreement made between Partner Communications and the Palestinian mobile operator being allocated such frequency band, which agreement was endorsed by the MOC.

33. Commitments

Outstanding Group commitments not provided for in the financial statements are as follows:

(a) Capital commitments

HK\$ millions	Contracted but not provided for		Authorized but not contracted for (Note)	
	2007	2008	2007	2008
Telecommunications, mobile network	2,870	9,167	4,512	1,503
Telecommunications, fixed network	261	456	375	508
Investment commitment in respect of capital contribution to jointly-controlled entities	—	16	—	—
Share of the capital commitment of jointly-controlled entities	—	—	—	4
	<u>3,131</u>	<u>9,639</u>	<u>4,887</u>	<u>2,015</u>

Note: The Group, as part of its budgeting process, estimates future capital expenditures as shown above. These estimates are subject to a vigorous authorization process before the expenditure is committed.

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

HK\$ millions	Land and buildings		Other assets	
	2007	2008	2007	2008
Not later than one year	690	785	290	517
Later than one year and not later than five years	1,225	1,429	157	1,165
Later than five years	805	883	1	1,646
	<u>2,720</u>	<u>3,097</u>	<u>448</u>	<u>3,328</u>

The above operating lease commitments included certain leases whereby the Group is the lessee under a tower lease agreement with a telecommunications operator of HK\$2,919 million (2007 – Nil). These leases typically run for an initial period of 12 years, with an option to renew the lease for another six years. None of the leases includes contingent rentals.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Commitments (continued)

(c) Acquisition of telecommunications license for third generation mobile services

In October 2001, a subsidiary of the Company was issued a 3G license in the 1900-2200-MHz radio spectrum for Hong Kong (“License”) for a duration of 15 years. For the first five years of the term of the License, fixed annual license fees were payable. Beginning from the sixth year of the License, variable license fees payable amount to 5% of network turnover (as defined in the License) in respect of the relevant year; or the Appropriate Fee (as defined in the License) in respect of the relevant year whichever is greater. The net present value of the Appropriate Fee has already been recorded as license fees liabilities.

(d) Royalties commitments

As at December 31, 2008, Partner Communications is committed to pay royalties to the Government of Israel at 2% on its “income from cellular services” as defined in the “Telecommunications (Royalties) Regulations, 2001” which includes all kinds of income of Partner Communications from the provision of telecommunications services under the license - including airtime, roaming services and non-recurring connection fees, but excluding income transferred to another holder of a communications license and deducting bad debts, payments to another communications licensee in respect of interconnection, payments for roaming services to foreign operators and expenses related to the sale of equipment. The rate of royalty payments paid by cellular operators has been reduced annually by 0.5% since January 1, 2006 and will continue to be reduced until it reaches 1%.

34. Employee Retirement Benefits

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 defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at December 31, 2008, the Group’s plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group’s pension accounting costs.

The amounts recognized in the consolidated balance sheet are as follows:

HK\$ millions	2007	2008
Pension assets (Note 23)	(20)	—
Pension obligations (Note 28)	13	107
	<u>(7)</u>	<u>107</u>

The principal actuarial assumptions used for accounting purposes are as follows:

	2007	2008
Discount rate applied to defined benefit plan obligations	3.20% - 10.00%	1.60% - 12.00%
Expected return on plan assets	8.00% - 10.00%	0.00% - 7.00%
Future salary increases	4.00% - 10.00%	0.00% - 12.00%
Interest credited on plan accounts	<u>5.00% - 6.00%</u>	<u>5.00% - 6.00%</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

HK\$ millions	2007	2008
The amount recognized in the consolidated income statement:		
Current service cost	29	33
Interest cost	8	7
Expected return on scheme assets	(16)	(19)
Total, included in staff costs (Note 7)	<u>21</u>	<u>21</u>
HK\$ millions	2007	2008
The amount recognized in the consolidated balance sheet:		
Present value of funded plans' obligations	213	245
Present value of unfunded plans' obligations	13	19
Less: Fair value of plan assets	(233)	(157)
(Asset)/Liability recognized in consolidated balance sheet	<u>(7)</u>	<u>107</u>
The limit of net assets to be recognized:		
Cumulative unrecognized net actuarial losses and past service cost	—	—
Present value of available future refunds or reduction in future contribution	25	10
Limit per IAS 19 paragraph 58/58A/58B	25	10
Net pension (assets)/liabilities recognized in consolidated balance sheet	<u>(7)</u>	<u>107</u>
Reduction of net asset due to the limit	<u>—</u>	<u>—</u>

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

HK\$ millions	2007	2008
Changes in present value of the defined benefit obligations		
Beginning of year	202	226
Current service cost net of employee contributions	29	33
Actual employee contributions	1	1
Interest cost	8	7
Actuarial losses on obligations	4	22
Actual benefits paid	(19)	(23)
Net transfer in liabilities	1	—
Exchange differences	—	(2)
End of year	<u>226</u>	<u>264</u>
Changes in the fair value of the plan assets		
Beginning of year	187	233
Expected return on plan assets	16	19
Actuarial gains/(losses) on plan assets	42	(87)
Actual company contributions	6	15
Actual benefits paid	(19)	(23)
Net transfer in assets	1	—
End of year	<u>233</u>	<u>157</u>
The analysis of the fair value of plan assets at end of year is as follows		
Equity instruments	154	84
Debt instruments	41	39
Other assets	38	34
	<u>233</u>	<u>157</u>
HK\$ millions		
The experience adjustments are as follows:		
Fair value of plan assets	233	157
Present value of funded plans' obligations	(213)	(245)
Present value of unfunded plans' obligations	(13)	(19)
Surplus/(deficit)	<u>7</u>	<u>(107)</u>
Experience adjustments on plan assets	<u>42</u>	<u>(87)</u>
Percentage of plan assets (%)	<u>18</u>	<u>(55)</u>
Experience adjustments on plan obligations	<u>(8)</u>	<u>(9)</u>
Percentage of plan obligations (%)	<u>4</u>	<u>3</u>

The actual return on plan assets during the year ended December 31, 2008 was loss of HK\$68 million (2007 – gain of HK\$58 million).

The accumulated actuarial losses recognized in the statement of recognized income and expense as at December 31, 2008 was HK\$97 million (2007 – accumulated actuarial gains of HK\$14 million).

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 realization of the surplus/deficit is contingent upon the realization 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.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

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 June 30, 2006 reported a funding level of 108% of the accrued actuarial liabilities on an ongoing basis. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at December 31, 2008, the plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements.

(b) Defined contribution plans

The employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK\$0.2 million (2007 – HK\$1 million) were used to reduce the current year's level of contribution.

35. Equity Compensation Benefits

(a) Share options of the Company

On September 17, 2004, the Company approved and adopted by a resolution of the then sole shareholder of the Company a share option scheme (the "Share Option Scheme"). The Share Option Scheme was further approved at the extraordinary general meeting of shareholders of HWL on May 19, 2005, subsequently amended by written resolutions of the Directors of the Company passed on July 12, 2005 and February 9, 2006 respectively, and further amended by an ordinary resolution passed at the extraordinary general meeting of the Company held on May 8, 2007 and the annual general meeting of HWL on May 22, 2008.

Share options have been granted to directors and employees. The exercise price of the options granted is equal to the average closing price of the Company's shares for the five business days immediately preceding the date of the offer for grant and the closing price of the Company's shares on such date, whichever is higher. The options are exercisable starting one year from the grant date; the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As at December 31, 2008, details of share options granted under the Share Option Scheme are as follows:

Option series	Number of share options granted (in thousands)	Grant date	Expiry date ⁽⁴⁾	Exercise price per share option
2005 grant	76,300	August 8, 2005	August 7, 2015	HK\$ 1.95 ⁽¹⁾
2007 grant	13,850	November 23, 2007	November 22, 2017	HK\$ 4.51 ⁽²⁾
2008 grant	5,000	December 12, 2008	December 11, 2018	HK\$ 2.20
2008 grant	4,383 ⁽³⁾	December 15, 2008	December 14, 2018	HK\$ 4.51

Notes:

- The exercise price for the 2005 grant was adjusted from HK\$8.70 to HK\$1.95 per share on June 29, 2007 as a result of the payment of Transaction Special Dividend (Note 14) and pursuant to the terms of the Share Option Scheme of the Company as amended by the ordinary resolution duly passed by shareholders of the Company and HWL on May 8, 2007 and May 22, 2008 respectively.
- The exercise price for 8,767 thousand share options under the 2007 grant was adjusted from HK\$11.51 to HK\$4.51 per share on December 2, 2008 as a result of the special dividend paid in 2008 (Note 14) and pursuant to the terms of the Share Option Scheme of the Company as amended by the ordinary resolution duly passed by shareholders of the Company and HWL on May 8, 2007 and May 22, 2008 respectively.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Equity Compensation Benefits (continued)

(a) Share options of the Company (continued)

3. 4,383 thousand share options with an exercise price of HK\$11.51 per share under the 2007 grant were vested and unexercised as at the payment of the special dividend on December 2, 2008 (see Note 14). Those share options were cancelled in accordance with the terms of the Share Option Scheme and the relevant option holders were granted a total of 4,383 thousand share options with an exercise price of HK\$4.51 per share on December 15, 2008 (the "Replacement options").
4. In accordance with the terms of the Share Option Scheme, one third of the share options are vested and exercisable on the expiry of each of the first, second and third year after the date of the offer of grant, except for the Replacement options, which, upon acceptance, are vested and exercisable immediately from the date of the offer for grant.

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2007		2008	
	Weighted average exercise price per share	Number of share options involved (thousands)	Weighted average exercise price per share	Number of share options involved (thousands)
As at January 1	HK\$ 8.70	50,457	HK\$ 4.72	47,783
Granted	HK\$ 11.51	13,850	HK\$ 3.28	9,383
Forfeited	HK\$ 1.95	(333)	HK\$ 4.68	(2,450)
Cancelled	—	—	HK\$11.51	(4,383)
Exercised (Note 29)	HK\$ 5.88	(16,191)	HK\$ 1.95	(32,183)
As at December 31	HK\$ 4.72	47,783	HK\$ 3.87	18,150

The options under the 2005 grant were fully exercised during the year ended December 31, 2008.

As at December 31, 2008, out of the 18,150 thousand outstanding share options (2007 – 47,783 thousand), 4,383 thousand (2007 – 13,750 thousand) share options were exercisable. 32,183 thousand share options exercised in 2008 were all issued at HK\$1.95 each (2007 – HK\$8.70 each for 9,424 thousand shares and HK\$1.95 each for 6,767 thousand shares). The related weighted average share price at the time of exercise was HK\$9.94 per share (2007 – HK\$13.51). Out of the 18,150 thousand outstanding share options, 8,767 thousand, 5,000 thousand and 4,383 thousand share options are expiring on November 22, 2017, December 11, 2018 and December 14, 2018 respectively.

The Company uses the Black-Scholes model to measure the fair value of services received in return for share options granted with the following inputs:

Inputs into the model	2007 grant		2008 grant	
	Original	Modified ⁽¹⁾	New Grant	Replacement options ⁽²⁾
Risk-free interest rate (%) ⁽³⁾	3.145	1.626	1.559	1.496
Expected life (years)	5.5 to 6.5	5.0 to 5.5	5.5 to 6.5	4.5
Expected volatility (%) ⁽⁴⁾	28.00	37.68	37.68	37.68

Notes:

- 1 Subsequent to the adjustment in exercise price of 8,767 thousand share options under the 2007 grant on December 2, 2008, the inputs to measure the fair value of options were reviewed and hence the weighted average fair value per option granted was increased from HK\$2.66 to HK\$2.84.
- 2 The Replacement options are accounted for in the same way as a modification of the original grant of share options. The inputs to measure the fair value of options were reviewed and hence the weighted average fair value per option granted was increased from HK\$2.53 to HK\$2.77.
- 3 The risk-free interest rate was determined based on the yield of 5 or 7 year exchange fund notes at the period of grant/modification.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Equity Compensation Benefits (continued)

(a) Share options of the Company (continued)

4 Expected volatility:

- (i) *The expected volatility for the 2007 grant was determined by taking the average of statistical analysis of daily share prices of the Company over the last one year up to November 23, 2007 with ex-dividend share price adjusted and statistical analysis of daily share prices of the Company from date of dividend payment to November 23, 2007.*
- (ii) *The expected volatility for the 2007 grant modification and 2008 grant was determined based on statistical analysis of daily share prices of the Company over last one year up to November 24, 2008.*

(b) Employee stock option plans of Partner Communications Company Ltd.

Partner Communications became the Group's subsidiary since April 2005.

In July 2004, the board of directors of Partner Communications approved an employee stock option plan (as amended on March 1, 2006) (the "2004 Plan") for options to be granted to employees under the provisions of the capital gain's tax route provided for in section 102 of the Israeli Income Tax Ordinance. A total number of 5,775,000 ordinary shares of Partner Communications (the "Partner Communications Shares") were reserved for issuance upon the exercise of 5,775,000 options to be granted without consideration. At the annual general meeting of the Company and HWL held on May 6, 2008 and May 22, 2008 respectively, shareholders of the Company and HWL approved the proposed refreshment of the maximum number of the Partner Communications Shares which may be issued upon the exercise of all options to be granted under the 2004 Plan and any other share option scheme(s) of Partner Communications, by up to 8,142,000 Partner Communications Shares to be issued pursuant to the 2004 Partner Share Option Plan, representing approximately 5.17% of Partner Communications Shares in issue as at the relevant date of approval. At the annual general meeting held on May 22, 2008, the shareholders of HWL also approved certain additional amendments to the 2004 Plan, which include among others, (i) increasing the total number of Partner Communications Shares reserved for issuance upon exercise of options to be granted under the 2004 Plan by 8,142,000 Partner Communications Shares, (ii) introducing provisions to allow acceleration in vesting of unvested options or the exercise of vested options in the event of change in control or voluntary winding up of Partner Communications, and (iii) allowing upon compliance with conditions specified therein, cashless exercise of vested options under the 2004 Plan.

The Partner Communications Compensation Committee has the authority to determine the exercise price per share (the "Option Exercise Price"). The Option Exercise Price will be determined by taking the consideration of the average market price of Partner Communications Shares for the 30 trading days preceding the day on which the options are granted, less 15%. The options vest in four equal annual batches, provided the employee is still in employment. The options are exercisable after the day of vesting but no later than the expiration of the exercise period, which will be fixed by the Partner Communications Compensation Committee and will not exceed ten years from the date of grant.

The board of directors of Partner Communications adopted the 1998 Employee Stock Option Plan (the "1998 Plan") and 2000 Employee Stock Option Plan (the "2000 Plan") in 1998 and 2000 respectively. Until November 2003, Partner Communications granted options to senior managers and other employees pursuant to the 1998 Plan and the 2000 Plan. In November 2003, the 1998 Plan and the 2000 Plan were amended to conform to the changes in the Israeli Income Tax Ordinance (New Version), 1961. As a result, any grant of options after November 2003 would be subject to the terms of the 2000 Plan as so amended, referred to as the 2003 Amended Plan. Options granted under the 1998 Plan, 2000 Plan and 2003 Amended Plan, which were approved by Partner Communications prior to Partner Communications becoming a subsidiary of the Company in April 2005, will remain valid but no further grant of options will be made under the aforesaid three Plans without the board of directors of Partner Communications approving relevant amendments being made necessary by the changes in Israeli laws and other regulatory requirements, as applicable and until they are approved by shareholders of the Company and HWL respectively. On March 26, 2008, the board of directors of Partner Communications approved the termination of the 1998 Plan, the 2000 Plan and 2003 Amended Plan. Since then, no further share options will be granted under these three plans, and all outstanding share options thereunder will remain valid and bear all terms and conditions of the relevant option plans.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Equity Compensation Benefits (continued)

(b) Employee stock option plans of Partner Communications Company Ltd. (continued)

The weighted average fair value of options granted during the year was determined using the Black-Scholes valuation model that uses the assumptions noted in the following table:

	2007	2008
Risk-free interest rate	4.1%	4.25%
Weighted average expected life	4 years	3 years
Expected volatility	26%	24%

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2007		2008	
	Weighted average exercise price per share (NIS)	Number of share options involved (thousands)	Weighted average exercise price per share (NIS)	Number of share options involved (thousands)
As at January 1	27.78	5,073	36.06	2,864
Granted	53.33	841	66.05	76
Forfeited/Expired	27.33	(246)	29.62	(142)
Exercised	27.00	(2,804)	29.38	(567)
As at December 31	<u>36.06</u>	<u>2,864</u>	<u>39.21</u>	<u>2,231</u>
Exercisable at December 31	<u>28.24</u>	<u>625</u>	<u>33.64</u>	<u>1,031</u>

36. Ultimate Holding Company

As at December 31, 2008, the Company was owned as to 60.36% by HWL with the remaining shares being widely held. The Directors regarded HWL as the Company's ultimate holding company.

37. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

Related Party Group:

- Hutchison Group — HWL together with its direct and indirect subsidiaries.

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are summarized below:

(a) Key management personnel remuneration

No transaction has 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 remuneration) as disclosed in Note 7(a).

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Related Party Transactions (continued)

(b) Transactions with Hutchison Group:

HK\$ millions	2006	2007	2008
Provision for fixed telecommunications and other services	(68)	(62)	(79)
Provision for mobile telecommunications services	(22)	(27)	(22)
Rental expenses on lease arrangements	57	53	55
Bill collection services fee expenses	11	13	14
Roaming arrangement fee income	(3)	(13)	(23)
Sharing of services arrangements	29	30	32
Dealership services fee expenses	21	22	27
Global procurement services arrangements expense	26	10	17
Provision of data center services	(19)	(18)	(20)
Purchase of handset and accessories	1,239	1,101	144
Purchase of office supplies	7	12	12
Advertising and promotion expenses	17	25	24
Guarantee and other finance fees	95	54	10
Interest income on non-current amount due from a related company	(6)	(3)	—
Purchase of equipment	<u>—</u>	<u>21</u>	<u>15</u>

(c) Balances with Hutchison Group:

HK\$ millions	Note	2007	2008
Payables to related companies	(i)	<u>(61)</u>	<u>(43)</u>

- (i) The payables to related companies arose during the ordinary course of business are unsecured, interest free and repayable on demand.
- (ii) During the year, the Group was granted a secured revolving credit and term loan facility of a maximum aggregate amount of US\$2,500 million (approximately HK\$19,376 million) from an indirect subsidiary of HWL at an interest rate of LIBOR + 2.45% per annum with final maturity date on November 15, 2011. The facility is secured by the assets, rights and business and the issued share capital of the Company and any of its subsidiaries that utilize the facility and is guaranteed by HWL. As at December 31, 2008, the Group had not used the facility.

38. Subsequent Events

The following events occurred subsequent to December 31, 2008 up to the date of approval of these financial statements by the Board:

- (a) In January 2009, a jointly-controlled entity in which the Group effectively holds a 38% interest, was provisionally awarded a spectrum to operate Broadband Wireless Access services. Following the payment in cash of a spectrum utilization fee of HK\$518 million and the provision of a performance bond in the amount of HK\$150 million to the OFTA, a unified carrier license for this spectrum was issued to the jointly-controlled entity in March 2009.
- (b) In April 2009, the Group acquired an additional 5% equity interest and certain shareholder loan interests in its Indonesia operations.
- (c) In April 2009, the Group: (i) entered into a loan agreement to advance US\$55 million (approximately HK\$426.3 million) to a subsidiary of HCPT's minority shareholder at an interest of 3% per annum; (ii) acquired, for consideration of US\$1, the benefits of shareholder loans of approximately US\$91.4 million made by HCPT's minority shareholder to HCPT; and (iii) was granted an option to purchase up to 2,274,615 shares of HCPT exercisable by notice in writing at any time during a twenty-year period and on an unlimited number of occasions. The exercise of the option is conditional upon any prior approval from, registrations with or notifications to any government bodies in Indonesia, including Indonesian Capital Investment Coordinating Board and the Ministry of Communications, that may be legally required at the relevant time to effect the transfer of the shares and upon obtaining shareholders' approval.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Subsequent Events (continued)

- (d) In April 2009, the facility entered into with an indirect subsidiary of HWL as mentioned in Notes 2(a) and 37(c)(ii) was amended and restated, pursuant to which an indirect subsidiary of HWL agreed to make available to the Group a senior secured term loan/revolving credit facility in the maximum aggregate amount of US\$1,790 million (approximately HK\$13,872.5 million). The facility bears interest at the rate of LIBOR + 2.45% per annum.
- (e) In May 2009, the Group completed the Distribution as described in more detail in Note 14(b).

39. US Dollar Equivalents

The US dollar equivalents of the figures shown in the financial statements are supplementary information and have been translated at HK\$7.7499 to US\$1.00. Such translation should not be construed as representations that the Hong Kong dollar amounts represent, or have been or could be converted into, US dollar at that or any other rate.

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Principal Subsidiaries and Jointly-controlled Entities

Particulars of the principal subsidiaries and jointly-controlled entities as at 31 December 2008 are as follows:

Subsidiaries and jointly-controlled entities	Place of incorporation / registration and operation	Currency	Nominal value of issued ordinary share capital / registered capital	Percentage of equity interest attributable to the Group	Principal activities
# BFKT (Thailand) Limited <i>(Note 1)</i>	Thailand	THB	5,000,000	49%	Network leasing
# HCL Network Partnership	Hong Kong	HK\$	10,000	100%	Telecommunications network equipment leasing and provision of ancillary services
# Hutchison CAT Wireless MultiMedia Limited <i>(Note 1)</i>	Thailand	THB	950,000,000	36%	Marketing of mobile telecommunications services
# Hutchison Global Communications Limited	Hong Kong	HK\$	20	100%	Fixed-line communications
# Hutchison GlobalCentre Limited	Hong Kong	HK\$	2	100%	Data centre facilities services
# Hutchison MultiMedia Services Limited	Hong Kong	HK\$	20	100%	Provision of internet services
# Hutchison Telecommunication Services Limited	Hong Kong	HK\$	20	100%	Mobile telecommunications retail operations
# Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HK\$	20	100%	Provision of management and treasury services
# Hutchison Telecommunications Information Technology (Shenzhen) Limited	China	HK\$	10,000,000	100%	Provision of information technology services
# Hutchison Telecommunications International (HK) Limited	Hong Kong	HK\$	2	100%	Provision of management services
# Hutchison Telecommunications Lanka (Private) Limited	Sri Lanka	LKR	875,000,000	100%	Mobile telecommunications services
# Hutchison Telephone (Macau) Company Limited	Macau	MOP	10,000,000	76%	Mobile telecommunications services
# Hutchison Telephone Company Limited	Hong Kong	HK\$	1,258,120	76%	Mobile telecommunications services
# Partner Communications Company Ltd.	Israel	NIS	1,578,874	51%	Mobile telecommunications services
# PT. Hutchison CP Telecommunications	Indonesia	IDR	649,890,000,000	60%	Mobile telecommunications services
* PLDT Italy S.r.l <i>(Note 2)</i>	Italy	Euro	10,000	50%	Mobile telecommunications services
* Genius Brand Limited	Hong Kong	HK\$	10,000	38%	Mobile telecommunications services

Notes:

1. *In addition to the Group's 49% and 36% beneficial interest in each of BFKT (Thailand) Limited and Hutchison CAT Wireless MultiMedia Limited respectively as disclosed above, the Group also holds call options over 51% and 30% beneficial interest in each of BFKT (Thailand) Limited and Hutchison CAT Wireless MultiMedia Limited, respectively.*
 2. *PLDT Italy S.r.l ("PLDT") is a contractual arrangement whereby the Group is one of the joint venture partners. Each of the two joint venturers will fund and manage PLDT on a 50:50 basis. The Group has no equity interest in PLDT but has the right to subscribe 50% of its equity interest at par value.*
- # *Principal subsidiaries*
* *Jointly-controlled entities*

**CERTIFICATIONS PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Dennis Pok Man Lui, certify that:

1. I have reviewed this annual report on Form 20-F of Hutchison Telecommunications International Limited (the “Company”), as amended by Amendment No. 1 on Form 20-F/A;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 11, 2010

/s/ Dennis Pok Man Lui

Name: Dennis Pok Man Lui

Title: Chief Executive Officer

**CERTIFICATIONS PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher John Foll, certify that:

1. I have reviewed this annual report on Form 20-F of Hutchison Telecommunications International Limited (the “Company”), as amended by Amendment No. 1 on Form 20-F/A;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 11, 2010

/s/ Christopher John Foll

Name: Christopher John Foll

Title: Chief Financial Officer

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Hutchison Telecommunications International Limited (the "Company") on Form 20-F for the year ending December 31, 2008, as amended by Amendment No. 1 on Form 20-F/A (the "Report"), the undersigned officers of the Company hereby certify, pursuant to 18 U.S.C. § 1350, promulgated under Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2010

/s/ Dennis Pok Man Lui

Name: Dennis Pok Man Lui
Title: Chief Executive Officer

/s/ Christopher John Foll

Name: Christopher John Foll
Title: Chief Financial Officer