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# Hutchison Whampoa Limited

(incorporated in Hong Kong with limited liability)  
(Stock Code: 13)

## AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

### HIGHLIGHTS

	2008 HK\$ millions	2007 HK\$ millions	Changes
Total revenue	<b>348,365</b>	308,775	+13%
EBIT from established businesses (excluding profits on disposal of listed equity investments)	<b>53,515</b>	45,811	+17%
LBIT of the 3 Group	<b>(10,857)</b>	(17,938)	+39%
Total EBIT (excluding the profits on property revaluation and disposal of investments)	<b>44,742</b>	37,627	+19%
Profit attributable to shareholders (excluding the profits on property revaluation and disposal of investments, and a one-time deferred tax adjustment)	<b>9,337</b>	1,766	+429%
Profit attributable to shareholders	<b>17,664</b>	30,600	-42%
Earnings per share	<b>HK\$4.14</b>	HK\$7.18	-42%
Final dividend per share	<b>HK\$1.22</b>	HK\$1.22	-

- Total revenue grew 13% to HK\$348,365 million
- Total EBIT (excluding the profits on property revaluation and disposal of investments) increased 19% to HK\$44,742 million
- Profit for the year (excluding the profits on property revaluation and disposal of investments, and a one-time deferred tax adjustment) increased 429% to HK\$9,337 million
- Profit attributable to shareholders and earnings per share are HK\$17,664 million and HK\$4.14 respectively
- 3G customer base currently totals over 20.7 million worldwide
- 3 Group's LBIT reduced by 39% to HK\$10,857 million

## CHAIRMAN'S STATEMENT

While there was a sharp slowdown in the global economy in the fourth quarter, the Group's full year revenue in 2008 grew 13% to HK\$348,365 million. Total earnings before interest expense and other finance costs, taxation and minority interests ("EBIT") grew 19% to HK\$44,742 million. Revenue from the Group's established businesses grew 16% to HK\$287,993 million and EBIT from these businesses totalled HK\$55,599 million, in line with 2007. The 3 Group reported a 1% increase in revenue to HK\$60,372 million and a 39% reduction in LBIT to HK\$10,857 million.

### Results

The Group's profit attributable to shareholders for the year amounted to HK\$17,664 million, a 42% reduction compared to last year's profit of HK\$30,600 million. Excluding the one-time items in both years described below, profit attributable to shareholders improved by 429%. Earnings per share were HK\$4.14 (2007 – HK\$7.18).

The results include a profit on property revaluation arising in the first half of the year of HK\$824 million (2007 – HK\$1,995 million), a HK\$2,764 million adjustment to deferred tax, and profits on disposal of investments totalling HK\$6,580 million (2007 – HK\$24,638 million), comprised of the following:

	HK\$ millions
• Group's share of a gain on partial disposal of Husky Energy Inc's ("Husky") interest in a resource property	3,122
• Gain on disposal of minority equity interests in certain ports to strategic partners	2,037
• Profit on disposal of telecommunications tower assets in Indonesia	1,421

### Dividends

The Board recommends the payment of a final dividend of HK\$1.22 per share (2007 – HK\$1.22 per share) to those persons registered as shareholders on 21 May 2009. This, together with the interim dividend of HK\$0.51 per share paid on 3 October 2008, gives a total dividend of HK\$1.73 per share for the year (2007 – HK\$1.73 per share). The proposed final dividend will be paid on 22 May 2009 following approval at the Annual General Meeting. The register of members will be closed from 14 May 2009 to 21 May 2009, both days inclusive.

## **Established Businesses**

### ***Ports and Related Services***

While global trade declined sharply in the fourth quarter, the ports and related services division reported overall growth for the year. Total throughput for the year increased 2% to 67.6 million twenty-foot equivalent units (“TEUs”), total revenue grew 4% to HK\$39,594 million and EBIT increased 3% to HK\$13,236 million. This division is facing reducing global trade volumes, including in Hong Kong and other Asian ports, and therefore 2009 is expected to be a more challenging year.

### ***Property and Hotels***

The property and hotels division reported total revenue of HK\$10,467 million and EBIT of HK\$8,087 million, a 10% and a 99% increase respectively over last year. Gross rental income of HK\$3,399 million was 12% higher than last year, with the rental properties portfolio 97% let. Development profits for the year were 307% higher than last year mainly due to the successful sale of residential property units in Mainland China. In addition, a profit of HK\$2,141 million was realised on the disposal of an investment property.

### ***Retail***

Although difficult market conditions in the UK and France resulted in worse than expected results from these operations, all of the Group's other significant retail operations in Western and Eastern Europe, Asia and the Mainland China reported improved results for the year. Overall, the retail division increased total revenue by 8% to HK\$118,487 million and increased EBIT by 18% to HK\$4,374 million.

### ***Cheung Kong Infrastructure***

Cheung Kong Infrastructure (“CKI”), announced its group turnover and its share of jointly controlled entities’ turnover of HK\$7,486 million, 27% above last year. The financial results were negatively impacted by mark-to-market adjustments arising from fluctuations in currency and financial markets. Profit attributable to shareholders was HK\$4,423 million compared to HK\$4,772 million in 2007.

Subsequent to the year end, CKI and Hongkong Electric Holdings (“HEH”) announced an agreement for HEH to purchase from CKI its 45% equity interest in three power plants in the Mainland for a consideration of HK\$5,680 million. Subject to completion of this transaction, CKI expects to report a gain on disposal of approximately HK\$1,348 million in its 2009 interim results, which after asset valuation consolidation adjustments will amount to approximately HK\$880 million in the Group’s consolidated interim results.

### ***Husky Energy***

Husky Energy Inc. announced sales and operating revenues of C\$24,701 million and net earnings of C\$3,754 million, 59% and 17% above last year respectively. Average total production during the year was 355,900 barrels of oil equivalent per day (“BOEs per day”) compared to 376,600 BOEs per day in 2007. With oil prices remaining about 65% below highs reached in 2008, Husky is expected to continue to be profitable in 2009, although its contribution to the Group’s earnings will inevitably be materially lower than in 2008.

### ***Finance and Investments***

The Group’s EBIT from its finance and investments operations represents returns earned on the Group’s holdings of cash and liquid investments. EBIT amounted to HK\$6,467 million, a 54% decrease, mainly due to higher profits on disposal of listed equity investments recognised in 2007 of HK\$9,754 million, compared to HK\$2,084 million in 2008. As interest rates declined sharply in the second half of 2008, the Group repaid debts as they matured, and also repaid early certain short term debts. Debt repaid in the year totalled HK\$83,729 million. As a result, both consolidated cash and cash equivalents and consolidated debt reduced during the period. The Group’s consolidated cash and liquid investments totalled HK\$88,021 million as at 31 December 2008 and consolidated debt totalled HK\$253,884 million. Consolidated net debt (net of cash and liquid investments) amounted to HK\$165,863 million at 31 December 2008 compared to HK\$152,630 million at 30 June 2008.

### ***Hutchison Telecommunications International***

Hutchison Telecommunications International Limited (“HTIL”), announced turnover from continuing operations for the year of HK\$23,725 million, a 16% increase over last year, and profit attributable to shareholders of HK\$1,883 million, compared to HK\$66,884 million (including a gain on disposal of its Indian operations of HK\$69,343 million) reported for 2007. At 31 December 2008, HTIL had a consolidated mobile customer base of 12.1 million, 28% increase over the comparable base last year.

In March 2009, HTIL announced a conditional interim dividend and spin-off by way of a distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings (“HTHKH”), the holding company of the Hong Kong and Macau telecommunications operations. The distribution is conditional on a separate listing of HTHKH on the Main Board of The Stock Exchange of Hong Kong by way of introduction, involving no initial public offering of shares or raising of capital. Upon completion, HTHKH will become a separately listed subsidiary of the Group and its results will be consolidated in the Group’s results.

### **3 Group**

All 3 Group operations reported improved results for the year except 3 Italia. The Group's registered 3G customer base increased 17% during the year and currently stands at over 20.7 million customers. The 3 Group's customer base includes over 2.5 million mobile broadband access customers, a healthy 305% increase from last year. Sales of the 3 Group's extensive range of mobiles, including 3 Skype phones and the recently launched INQ<sup>1</sup> have been encouraging. The latter won the GSM Association global award for "Best Mobile Handset or Device" for 2009.

Average revenue per active user on a 12-month trailing average active customer basis ("ARPU") overall declined by 16% to €33.50 compared to 2007. This decline reflects reductions in regulated mobile termination and roaming rates in certain markets and the increase in the proportion of mobile broadband customers in the 3 Group's customer base. Although ARPU declined, all operations reported increased gross margin as a percentage of revenues compared to 2007. Overall, total 3 Group revenue increased 1% to HK\$60,372 million and LBIT reduced 39% compared to last year, to HK\$10,857 million, with all operations achieving improved revenues and reduced LBIT except 3 Italia.

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

Barring any significant adverse market developments or regulatory developments, management expects the 3 Group to achieve a full year breakeven EBIT position in 2009.

## **Outlook**

In 2009, the Group is facing the most challenging environment in recent times with growth slowing in most markets and many of the world's major economies in recession. The financial crisis which originated in the United States has led to global economic activity slowing sharply in the last quarter of 2008 and through January and February of this year and this has already affected Hong Kong. However, with the support of Central Government's initiatives, the Mainland economy has to date maintained healthy domestic demand and the impact of external economic factors affecting Hong Kong should be mitigated to a large extent.

In the current global economic environment, the Group is focused on maintaining strict operational and financial discipline to successfully execute its business strategy. The Group's cash position remains healthy. Looking ahead, although the unprecedented economic environment will have differing adverse effects on the Group's various businesses around the world, overall the Group's established businesses are still expected to continue to perform satisfactorily and the Group to continue to progress. I have full confidence in the long term future prospects of the Group.

I would like to thank the Board of Directors and all employees around the world for their loyalty, hardwork, professionalism and contributions to the Group.

**Li Ka-shing**

*Chairman*

Hong Kong, 26 March 2009

## SUPPLEMENTARY INFORMATION AND KEY BUSINESS INDICATORS

Hutchison Whampoa Limited's Group results can be summarised as below (in HK\$ millions):

	Note	For the year ended		2008	2007	% Change
		2008	2007			
<b>REVENUE*</b>						
PORTS AND RELATED SERVICES		39,594	37,891	14%	15%	4%
PROPERTY AND HOTELS		10,467	9,551	4%	4%	10%
RETAIL		118,487	110,007	41%	44%	8%
CHEUNG KONG INFRASTRUCTURE		19,868	17,251	7%	7%	15%
HUSKY ENERGY		63,350	39,781	22%	16%	59%
FINANCE & INVESTMENTS		4,303	5,511	1%	2%	-22%
HUTCHISON TELECOMMUNICATIONS INTERNATIONAL		24,677	20,779	9%	8%	19%
OTHERS		7,247	8,095	2%	4%	-10%
<b>TOTAL REVENUE FOR ESTABLISHED BUSINESSES</b>		<b>287,993</b>	<b>248,866</b>	<b>100%</b>	<b>100%</b>	<b>16%</b>
<b>3 GROUP</b>		<b>60,372</b>	<b>59,909</b>			<b>1%</b>
<b>TOTAL REVENUE</b>		<b>348,365</b>	<b>308,775</b>			<b>13%</b>
<b>EARNINGS BEFORE INTEREST EXPENSE AND TAX ("EBIT")</b>						
<b>ESTABLISHED BUSINESSES:</b>						
PORTS AND RELATED SERVICES		13,236	12,849	24%	23%	3%
PROPERTY AND HOTELS		8,087	4,060	15%	7%	99%
RETAIL		4,374	3,711	8%	7%	18%
CHEUNG KONG INFRASTRUCTURE		7,404	7,353	13%	13%	1%
HUSKY ENERGY		13,316	10,523	24%	19%	27%
FINANCE & INVESTMENTS		6,467	13,944	11%	25%	-54%
HUTCHISON TELECOMMUNICATIONS INTERNATIONAL		3,506	3,218	6%	6%	9%
OTHERS		(791)	(93)	-1%	0%	-751%
<b>EBIT OF ESTABLISHED BUSINESSES</b>		<b>55,599</b>	<b>55,565</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>
<b>3 GROUP:</b>						
<b>EBITDA OF 3 GROUP BEFORE ALL CACs</b>	1	19,337	18,406			5%
- Total CACs		(20,392)	(17,211)			-18%
- Capitalised CACs		16,935	11,479			48%
<b>REPORTED EBITDA OF 3 GROUP</b>		<b>15,880</b>	<b>12,674</b>			<b>25%</b>
- Depreciation		(9,237)	(11,199)			18%
- Amortisation of licence fees and other rights		(5,500)	(6,143)			10%
- Amortisation of postpaid CACs		(12,000)	(13,270)			10%
<b>LBIT OF 3 GROUP</b>		<b>(10,857)</b>	<b>(17,938)</b>			<b>39%</b>
<b>TOTAL EBIT BEFORE THE FOLLOWING</b>		<b>44,742</b>	<b>37,627</b>			<b>19%</b>
<b>CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES</b>		<b>824</b>	<b>1,995</b>			<b>-59%</b>
<b>PROFIT ON DISPOSAL OF INVESTMENTS AND OTHERS</b>		<b>6,580</b>	<b>24,638</b>			<b>-73%</b>
<b>TOTAL EBIT</b>		<b>52,146</b>	<b>64,260</b>			<b>-19%</b>
<b>INTEREST EXPENSE AND OTHER FINANCE COSTS</b>						
- Company and subsidiary companies		(17,286)	(19,054)			9%
- Share of associated companies and jointly controlled entities		(3,222)	(3,446)			7%
		<b>(20,508)</b>	<b>(22,500)</b>			<b>9%</b>
<b>PROFIT BEFORE TAX</b>		<b>31,638</b>	<b>41,760</b>			<b>-24%</b>
<b>TAX *</b>						
- Current tax		(7,330)	(5,300)			-38%
- Deferred tax		320	(3,230)			110%
		<b>(7,010)</b>	<b>(8,530)</b>			<b>18%</b>
<b>PROFIT AFTER TAX</b>		<b>24,628</b>	<b>33,230</b>			<b>-26%</b>
<b>MINORITY INTERESTS *</b>		<b>(6,964)</b>	<b>(2,630)</b>			<b>-165%</b>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>17,664</b>	<b>30,600</b>			<b>-42%</b>

\* Includes share of associated companies and jointly controlled entities

Note 1: Includes 3G operations in UK, Ireland, Italy, Australia, Sweden, Denmark, Norway and Austria

## SUPPLEMENTARY INFORMATION AND KEY BUSINESS INDICATORS

### Established Businesses

#### *Ports and Related Services*

Total revenue	increased 4%
EBIT	increased 3%
Contributed 14% and 24% respectively to total revenue and EBIT of the Group's established businesses	

Major contributors to the division's overall 2% throughput growth were:

	Increase / (Decrease)
Westports in Klang in Malaysia	16%
Panama ports container terminal ("PPC")	21%
Jakarta port container terminals in Indonesia	7%
International Ports Services in Saudi Arabia	16%
Yantian in the Mainland	(3)%
Shanghai in the Mainland	(2)%
Xiamen in the Mainland	(17)%
South Korea	(5)%

Major contributors to the division's overall 3% EBIT growth were:

	Increase / (Decrease)
Europe Container Terminals in Rotterdam	21%
PPC in Panama	36%
Terminal Catalunya in Spain	44%
Yantian port in the Mainland	(9)%
Kwai Tsing terminals in Hong Kong	(8)%

In December, the division signed a concession agreement jointly with the Ports of Stockholm to operate the existing Container Terminal Frihamnen in Stockholm, Sweden from March 2009. In addition, the division was granted a 25-year concession to develop and operate a new container terminal at the Port of Nynäshamn, Norvikudden, Sweden. Also in December, the division acquired a 70% interest in Amsterdam Container Terminal ("ACT") and a joint-ownership in Taranto Container Terminal ("TCTI") in Italy, in separate share for share exchange transactions for minority equity interests in certain of its existing European ports. ACT is an existing three-berth container terminal with a combined quay length of 1,015 metres. TCTI is an existing container terminal with a total quay length of 2,050 metres and a land area of 102 hectares.



***Property and hotels***

Total revenue	increased 10%
EBIT	increased 99%
Contributed 4% and 15% respectively to total revenue and EBIT of the Group's established businesses	

Development profits for the year were 307% higher than last year mainly from the sales of units in the "Maison des Artistes" and "Regency Park" residential developments in Shanghai. The Group's current attributable landbank (including direct interests and its proportionate share of interests held by joint ventures, associates and jointly controlled entities) can be developed into 103 million square feet of mainly residential property, of which 96% is situated in the Mainland, 3% in the UK and overseas and 1% in Hong Kong. This landbank comprises 45 different projects in 20 different cities and is expected to be developed in a phased manner over several years.

The Group's hotel operations reported EBIT 8% lower than last year, primarily reflecting lower results from The Westin and Sheraton at Our Lucaya in the Bahamas, which continues to be directly affected by the economic recession in the United States.

***Retail***

Total revenue	increased 8%
EBIT	increased 18%
Contributed 41% and 8% respectively to total revenue and EBIT of the Group's established businesses	

The number of retail outlets increased marginally during 2008 and currently totals over 8,300 outlets in 34 markets worldwide. The retail division is focusing on organic growth primarily in the Mainland, and strict cost controls to maintain margins in a slowing economic environment.

***Cheung Kong Infrastructure, subsidiary listed on Stock Exchange of Hong Kong***

Announced group turnover and its share of jointly controlled entities turnover	increased 27%
Announced profit attributable to shareholders	decreased 7%
Contributed 7% and 13% respectively to total revenue and EBIT of the Group's established businesses	

***Husky Energy, associated company listed on Toronto Stock Exchange***

Announced sales and operating revenues	increased 59%
Announced net earnings	increased 17%
Contributed 22% and 24% respectively to total revenue and EBIT of the Group's established businesses	

***Hutchison Telecommunications International, subsidiary listed on Stock Exchange of Hong Kong and New York Stock Exchange***

Announced turnover from continued operations	increased 16%
Announced profit attributable to shareholders	HK\$1,883 million, compared to a reported loss last year before a one-off gain on disposal in 2007
Contributed 9% and 6% respectively to total revenue and EBIT of the Group's established businesses	

**3 Group**

Total revenue	increased 1%
LBIT	reduced 39%

	2008 <u>HK\$ millions</u>	2007 <u>HK\$ millions</u>
EBITDA before all customer acquisition costs and retention costs ("CACs") – increased 5%	19,337	18,406
Total CACs – increased 18%	<u>(20,392)</u>	<u>(17,211)</u>
EBITDA (LBITDA) after all CACs	(1,055)	1,195
Capitalised contract CACs	<u>16,935</u>	<u>11,479</u>
Reported EBITDA – increased 25%	<u><u>15,880</u></u>	<u><u>12,674</u></u>

The 3 Group overall reported total EBITDA before all CACs of HK\$19,337 million, a 5% increase over last year with all operations reporting improved EBITDA results except 3 Italia. Considering the improved cash flow from operations, management increased customer acquisition and retention activity with a focus on higher value contract customers, which generally incur commensurately high CACs. As a result, total CACs, increased by 18% compared to last year, and amounted to HK\$20,392 million. This increase was due to the increased number of customers acquired and retained, partially offset by lower cost per customer acquired.

**3 Group Overall**

	<b>2008</b>	<b>2007</b>
Weighted average per customer acquisition cost, on a 12-month trailing average basis – reduced 17%	€41	€170
Contract customers as a percentage of total registered customer base	55%	47%
Average monthly customer churn rate – total registered customer base	2.7%	2.6%
Average monthly customer churn rate – total contract registered customer base	1.9%	2.3%
Active customers as a percentage of total registered customer base	79%	79%
Active customers as a percentage of the total contract registered customer base	97%	98%

## Key Business Indicators

Registered customers grew in all operations.

	Customer Base					
	Registered Customers at 25 March 2009 ('000)			Registered Customer Growth (%) from 31 December 2007 to 31 December 2008		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
UK & Ireland	1,728	3,653	5,381	3%	35%	23%
Italy	5,972	2,913	8,885	-3%	29%	5%
Australia <sup>(1)</sup>	241	1,949	2,190	12%	31%	29%
Sweden & Denmark	130	1,163	1,293	37%	37%	37%
Austria	180	533	713	17%	32%	28%
<b>3 Group Total</b>	<b>8,251</b>	<b>10,211</b>	<b>18,462</b>	<b>-1%</b>	<b>33%</b>	<b>15%</b>
Hong Kong and Macau <sup>(2)</sup>	95	1,245	1,340	59%	22%	24%
Israel <sup>(2)</sup>	-	951	951	-	50%	50%
Total	8,346	12,407	20,753	-	33%	17%

Revenue, in local currency, grew year on year in all operations except 3 Italia and 3 Austria, and gross margin grew in all countries except 3 Italia.

	Customer Service Revenue and Gross Margin									
	Revenue for the twelve months ended 31 December 2008 (millions)					Growth (%) compared to the twelve months ended 31 December 2007				
	Prepaid	% of total Revenue	Postpaid	% of total Revenue	Total	Prepaid	Postpaid	Total	Gross Margin <sup>(3)</sup> Total	
UK & Ireland <sup>(4)</sup>	£168.8	11%	£1,390.5	89%	£1,559.3	14%	8%	9%	19%	
Italy	€51.6	32%	€1,174.0	68%	€1,725.6	-32%	-2%	-15%	-11%	
Australia <sup>(1)</sup>	A\$77.0	5%	A\$1,390.9	95%	A\$1,467.9	5%	27%	25%	27%	
Sweden & Denmark	SEK94.0	2%	SEK4,468.3	98%	SEK4,562.3	22%	17%	17%	27%	
Austria	€5.2	3%	€164.7	97%	€169.9	-10%	-5%	-5%	4%	
<b>3 Group Total</b>	<b>€821.0</b>	<b>16%</b>	<b>€4,331.8</b>	<b>84%</b>	<b>€5,152.8</b>	<b>-25%</b>	<b>-</b>	<b>-5%</b>	<b>1%</b>	

ARPU decreased in all countries reflecting both the impact of regulated incoming termination and roaming rates in certain countries and the increasing proportion of mobile broadband access customers in all countries.

	12-month Trailing Average Revenue per Active User ("ARPU") <sup>(5)</sup> to 31 December 2008						
	Total				Non-voice		
	Prepaid	Postpaid	Blended Total	% Variance compared to 31 December 2007	ARPU	% of total ARPU	
UK & Ireland <sup>(4)</sup>	£15.77	£38.91	£33.57	-14%	£11.25	33.5%	
Italy	€13.42	€3.50	€25.34	-14%	€8.03	31.7%	
Australia <sup>(1)</sup>	A\$37.04	A\$69.67	A\$66.54	-3%	A\$20.76	31.2%	
Sweden & Denmark	SEK122.01	SEK396.77	SEK379.18	-12%	SEK137.74	36.3%	
Austria	€15.11	€3.34	€33.04	-22%	€12.00	36.3%	
<b>3 Group Average</b>	<b>€14.92</b>	<b>€3.88</b>	<b>€33.50</b>	<b>-16%</b>	<b>€11.00</b>	<b>32.8%</b>	

Note 1: Revenue, ARPU and active customers of 31 December 2008 as announced by listed subsidiary HTAL with active customers updated for net additions to 25 March 2009.

Note 2: Hong Kong and Macau active customers and Israel customers as announced by listed subsidiary HTIL as at 4 March 2009.

Note 3: The percentage represents the increase or decrease in the amount of the gross margin profit reported.

Note 4: As mentioned in the Group's annual results announcement for 2007, 3 UK has discontinued promotional discount offerings in 2008. For better comparison purposes, the % increase KBIs have been calculated to measure against the previous year's amounts after deducting promotional discounts.

Note 5: ARPU equals total revenue excluding handset and connection revenues, divided by the average number of active customers during the period, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding three months.

**UK and Ireland (combined)**

Combined total revenue, in GBP	increased 9%
Combined LBIT, in GBP, before including non-recurring foreign exchange gains in both years	reduced 66%

	<b>2008</b>	<b>2007</b>
Contract customers as a percentage of total registered customer base	68%	62%
Average monthly customer churn rate – total registered customer base	2.6%	3.6%
Average monthly customer churn rate – total contract registered customer base (accounts for 89% of the revenue base)	1.6%	2.6%
Active customers as a percentage of total registered customer base	87%	76%
Active customers as a percentage of the total contract registered customer base	97%	97%

In December, **3** Ireland was awarded a contract under the National Broadband Initiative to rollout HSDPA network based broadband access services to areas in Ireland without access to the technology. **3** Ireland will have full ownership and operation of this network and its customers and will receive milestone based subsidy payments from the Irish Government.

**Italy**

Total revenue, in Euro	decreased 15%
LBIT, in Euro, before including non-recurring foreign exchange gains in both years	increased 16%

	<b>2008</b>	<b>2007</b>
Contract customers as a percentage of total registered customer base	32%	26%
Average monthly customer churn rate – total registered customer base	3.1%	2.4%
Average monthly customer churn rate – total contract registered customer base (accounts for 68% of the revenue base)	3.0%	3.2%
Active customers as a percentage of total registered customer base	67%	75%
Active customers as a percentage of the total contract registered customer base	94%	97%

***Hutchison Telecommunications Australia, subsidiary listed on Australian Securities Exchange***

Announced total revenue <sup>(1)</sup> , in A\$	increased 23%
Announced net loss attributable to shareholders, in A\$	reduced 43%

<sup>(1)</sup> Total revenue represents customer service revenue and revenue from 2G and paging services

**Sweden and Denmark (combined)**

Combined total revenue, in SEK	increased 17%
Combined LBIT, in SEK	reduced 29%

	<b>2008</b>	<b>2007</b>
Contract customers as a percentage of total registered customer base	90%	90%
Average monthly customer churn rate – total registered customer base	2.1%	2.4%
Active customers as a percentage of total registered customer base	96%	97%
Active customers as a percentage of the total contract registered customer base	100%	100%

**Austria**

Total revenue, in Euro	decreased 5%
LBIT, in Euro, before including non-recurring foreign exchange gains	reduced 24%

	<b>2008</b>	<b>2007</b>
Contract customers as a percentage of total registered customer base	74%	72%
Average monthly customer churn rate – total registered customer base	1.6%	1.1%
Active customers as a percentage of total registered customer base	78%	77%
Active customers as a percentage of the total contract registered customer base	99%	99%

**Hutchison Whampoa Limited**  
**Consolidated Profit and Loss Account**  
for the year ended 31 December 2008

	Note	2008 HK\$ millions	2007 HK\$ millions
<b>Company and subsidiary companies:</b>			
Revenue	2	235,461	218,726
Cost of inventories sold		(77,460)	(73,977)
Staff costs		(32,053)	(29,325)
3 Group telecommunications expensed customer acquisition costs		(3,457)	(5,732)
Depreciation and amortisation	2	(37,447)	(38,872)
Other operating expenses		(67,300)	(56,448)
Change in fair value of investment properties		672	1,988
Profit (loss) on disposal of investments and others	3	3,458	(11,182)
<b>Share of profits less losses after tax of:</b>			
Associated companies before profit on disposal of investments and others		12,522	12,002
Jointly controlled entities		5,286	3,338
Associated company's profit on disposal of an investment and others	3	3,122	35,820
	2	42,804	56,338
Interest and other finance costs	4	(17,286)	(19,054)
<b>Profit before tax</b>		<b>25,518</b>	37,284
Current tax charge	5	(3,444)	(2,768)
Deferred tax credit (charge)	5	2,576	(1,651)
<b>Profit after tax</b>		<b>24,650</b>	32,865
<b>Allocated as : Profit attributable to minority interests</b>		<b>(6,986)</b>	(2,265)
<b>Profit attributable to shareholders of the Company</b>	6	<b>17,664</b>	30,600
<b>Dividends</b>			
Interim dividend		2,174	2,174
Final dividend		5,201	5,201
		7,375	7,375
<b>Earnings per share for profit attributable to shareholders of the Company</b>	7	<b>HK\$ 4.14</b>	HK\$ 7.18
<b>Dividends per share</b>			
Interim dividend		HK\$ 0.51	HK\$ 0.51
Final dividend		HK\$ 1.22	HK\$ 1.22
		HK\$ 1.73	HK\$ 1.73

**Hutchison Whampoa Limited**  
**Consolidated Balance Sheet**  
at 31 December 2008

	Note	2008 HK\$ millions	2007 HK\$ millions
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		173,246	181,342
Investment properties		41,282	43,680
Leasehold land		34,745	36,272
Telecommunications licences		72,175	91,897
Telecommunications postpaid customer acquisition and retention costs		12,022	8,771
Goodwill		30,318	31,520
Brand names and other rights		10,486	10,901
Associated companies		76,478	75,545
Interests in joint ventures		45,865	39,725
Deferred tax assets		13,248	17,619
Other non-current assets		8,904	5,082
Liquid funds and other listed investments		30,735	69,192
		<b>549,504</b>	<b>611,546</b>
<b>Current assets</b>			
Cash and cash equivalents	8	57,286	111,307
Trade and other receivables	9	54,767	55,374
Inventories		18,528	20,999
		<b>130,581</b>	<b>187,680</b>
<b>Current liabilities</b>			
Trade and other payables	10	82,497	90,029
Bank and other debts		23,945	50,255
Current tax liabilities		1,275	2,336
		<b>107,717</b>	<b>142,620</b>
<b>Net current assets</b>		<b>22,864</b>	<b>45,060</b>
<b>Total assets less current liabilities</b>		<b>572,368</b>	<b>656,606</b>
<b>Non-current liabilities</b>			
Bank and other debts		234,141	260,086
Interest bearing loans from minority shareholders		13,348	12,508
Deferred tax liabilities		13,616	17,957
Pension obligations		2,541	1,468
Other non-current liabilities		4,586	5,929
		<b>268,232</b>	<b>297,948</b>
<b>Net assets</b>		<b>304,136</b>	<b>358,658</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		1,066	1,066
Reserves		270,510	308,948
<b>Total shareholders' funds</b>		<b>271,576</b>	<b>310,014</b>
Minority interests		32,560	48,644
<b>Total equity</b>		<b>304,136</b>	<b>358,658</b>

**Notes:****1 Significant accounting policies**

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair value.

**2 Segment information**

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment. The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items and is included as supplementary information.

Finance & Investments represents returns earned on the Group's holdings of cash and liquid investments. Others includes Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring ("HHR") and listed associate Tom Group and others. Prior year segment information that is presented for comparative purposes has been restated accordingly. Telecommunications - 3 Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway, Ireland and Australia.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK\$58 million (2007 – HK\$57 million), Property and hotels is HK\$336 million (2007 – HK\$307 million), Finance & Investments is HK\$3 million (2007 – HK\$3 million), Hutchison Telecommunications International is HK\$125 million (2007 – HK\$82 million) and Others is HK\$504 million (2007 – HK\$1,115 million).

**Business segment**

	Revenue							
	2008				2007			
	Company and Subsidiaries	Associates and JCE	Total	% <sup>(a)</sup>	Company and Subsidiaries	Associates and JCE	Total	% <sup>(a)</sup>
	HK\$ millions	HK\$ millions	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions	
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	34,872	4,722	39,594	14%	33,207	4,684	37,891	15%
Property and hotels	5,445	5,022	10,467	4%	5,317	4,234	9,551	4%
Retail	98,946	19,541	118,487	41%	94,663	15,344	110,007	44%
Cheung Kong Infrastructure	2,875	16,993	19,868	7%	2,403	14,848	17,251	7%
Husky Energy	-	63,350	63,350	22%	-	39,781	39,781	16%
Finance & Investments	3,836	467	4,303	1%	5,080	431	5,511	2%
Hutchison Telecommunications International	24,674	3	24,677	9%	12,618	8,161	20,779	8%
Others	4,981	2,266	7,247	2%	6,014	2,081	8,095	4%
Subtotal - established businesses	175,629	112,364	287,993	100%	159,302	89,564	248,866	100%
<b>TELECOMMUNICATIONS - 3 Group</b>	59,832	540	60,372		59,424	485	59,909	
	235,461	112,904	348,365		218,726	90,049	308,775	



**2 Segment information (continued)**  
**Business segment (continued)**

	EBIT (LBIT) <sup>(b)</sup>							
	Company and Subsidiaries		Associates and JCE		2008 Total		2007 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	% <sup>(a)</sup>	HK\$ millions	HK\$ millions	HK\$ millions	% <sup>(a)</sup>
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	11,403	1,833	13,236	24%	11,118	1,731	12,849	23%
Property and hotels <sup>(c)</sup>	4,999	3,088	8,087	15%	2,807	1,253	4,060	7%
Retail	3,392	982	4,374	8%	2,889	822	3,711	7%
Cheung Kong Infrastructure	10	7,394	7,404	13%	797	6,556	7,353	13%
Husky Energy	-	13,316	13,316	24%	-	10,523	10,523	19%
Finance & Investments <sup>(d)</sup>	5,913	554	6,467	11%	13,371	573	13,944	25%
Hutchison Telecommunications International <sup>(e)</sup>	3,516	(10)	3,506	6%	1,523	1,695	3,218	6%
Others	(588)	(203)	(791)	-1%	(188)	95	(93)	0%
<b>EBIT - Established businesses<sup>(b)</sup></b>	<b>28,645</b>	<b>26,954</b>	<b>55,599</b>	<b>100%</b>	<b>32,317</b>	<b>23,248</b>	<b>55,565</b>	<b>100%</b>
<b>TELECOMMUNICATIONS - 3 Group<sup>(f)</sup></b>								
EBIT before depreciation, amortisation and telecommunications expensed CACs	19,179	158	19,337		18,339	67	18,406	
Telecommunications expensed CACs	(3,457)	-	(3,457)		(5,732)	-	(5,732)	
<b>EBIT before depreciation and amortisation and after telecommunications expensed CACs</b>	<b>15,722</b>	<b>158</b>	<b>15,880</b>		<b>12,607</b>	<b>67</b>	<b>12,674</b>	
Depreciation	(9,123)	(114)	(9,237)		(11,139)	(60)	(11,199)	
Amortisation of licence fees and other rights	(5,500)	-	(5,500)		(6,143)	-	(6,143)	
Amortisation of telecommunications postpaid CACs	(12,000)	-	(12,000)		(13,270)	-	(13,270)	
<b>EBIT (LBIT) - Telecommunications - 3 Group<sup>(b)</sup></b>	<b>(10,901)</b>	<b>44</b>	<b>(10,857)</b>		<b>(17,945)</b>	<b>7</b>	<b>(17,938)</b>	
Change in fair value of investment properties	672	152	824		1,988	7	1,995	
Profit (loss) on disposal of investments and others (See note 3)	3,458	3,122	6,580		(11,182)	35,820	24,638	
<b>EBIT</b>	<b>21,874</b>	<b>30,272</b>	<b>52,146</b>		<b>5,178</b>	<b>59,082</b>	<b>64,260</b>	
Group's share of the following profit and loss items of associated companies and jointly controlled entities:								
Interest and other finance costs	-	(3,222)	(3,222)		-	(3,446)	(3,446)	
Current tax	-	(3,886)	(3,886)		-	(2,532)	(2,532)	
Deferred tax	-	(2,256)	(2,256)		-	(1,579)	(1,579)	
Minority interests	-	22	22		-	(365)	(365)	
	<b>21,874</b>	<b>20,930</b>	<b>42,804</b>		<b>5,178</b>	<b>51,160</b>	<b>56,338</b>	

	Depreciation and amortisation							
	Company and Subsidiaries		Associates and JCE		2008 Total		2007 Total	
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
<b>ESTABLISHED BUSINESSES</b>								
Ports and related services	3,410	556	3,966	3,200	536	3,736		
Property and hotels	289	151	440	302	158	460		
Retail	2,086	379	2,465	2,117	325	2,442		
Cheung Kong Infrastructure	125	1,959	2,084	124	1,988	2,112		
Husky Energy	-	5,744	5,744	-	5,058	5,058		
Finance & Investments	72	-	72	78	-	78		
Hutchison Telecommunications International	4,715	-	4,715	2,379	980	3,359		
Others	127	422	549	120	115	235		
<b>Subtotal - established businesses</b>	<b>10,824</b>	<b>9,211</b>	<b>20,035</b>	<b>8,320</b>	<b>9,160</b>	<b>17,480</b>		
<b>TELECOMMUNICATIONS - 3 Group</b>								
	<b>26,623</b>	<b>114</b>	<b>26,737</b>	<b>30,552</b>	<b>60</b>	<b>30,612</b>		
	<b>37,447</b>	<b>9,325</b>	<b>46,772</b>	<b>38,872</b>	<b>9,220</b>	<b>48,092</b>		

## 2 Segment information (continued)

### Business segment (continued)

#### ESTABLISHED BUSINESSES

Ports and related services
Property and hotels
Retail
Cheung Kong Infrastructure
Husky Energy
Finance & Investments
Hutchison Telecommunications International
Others
Subtotal - established businesses
<b>TELECOMMUNICATIONS - 3 Group<sup>(e)</sup></b>

Capital expenditure				
Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2008 Total
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
9,502	-	-	-	9,502
89	-	-	-	89
1,686	-	-	-	1,686
92	-	-	-	92
-	-	-	-	-
14	-	-	-	14
4,390	-	129	817	5,336
84	-	-	-	84
15,857	-	129	817	16,803
11,921	384	421	16,935	29,661
27,778	384	550	17,752	46,464

#### ESTABLISHED BUSINESSES

Ports and related services
Property and hotels
Retail
Cheung Kong Infrastructure
Husky Energy
Finance & Investments
Hutchison Telecommunications International
Others
Subtotal - established businesses
<b>TELECOMMUNICATIONS - 3 Group<sup>(e)</sup></b>

Capital expenditure				
Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2007 Total
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
9,404	-	-	-	9,404
89	-	-	-	89
1,843	-	-	-	1,843
183	-	-	-	183
-	-	-	-	-
50	-	-	-	50
3,316	-	36	346	3,698
102	-	-	-	102
14,987	-	36	346	15,369
13,969	86	536	11,479	26,070
28,956	86	572	11,825	41,439

#### ESTABLISHED BUSINESSES

Ports and related services
Property and hotels
Retail
Cheung Kong Infrastructure
Husky Energy
Finance & Investments
Hutchison Telecommunications International
Others
Subtotal - established businesses
<b>TELECOMMUNICATIONS - 3 Group<sup>(i)</sup></b>

Total assets								
Company and Subsidiaries	Deferred tax assets <sup>(b)</sup>	Investments in associated companies and interests in joint ventures	2008 Total assets	Company and Subsidiaries	Deferred tax assets	Investments in associated companies and interests in joint ventures	2007 Total assets	
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
94,281	363	12,759	107,403	91,308	157	10,996	102,461	
49,918	107	26,992	77,017	49,056	9	23,116	72,181	
47,409	391	2,791	50,591	52,056	400	2,338	54,794	
15,128	11	38,308	53,447	18,264	5	39,308	57,577	
-	-	37,190	37,190	-	-	35,669	35,669	
73,731	-	549	74,280	133,344	-	174	133,518	
44,207	368	90	44,665	76,446	376	2	76,824	
11,183	6	2,720	13,909	10,146	26	2,709	12,881	
335,857	1,246	121,399	458,502	430,620	973	114,312	545,905	
208,637	12,002	944	221,583	235,717	16,646	958	253,321	
544,494	13,248	122,343	680,085	666,337	17,619	115,270	799,226	

#### ESTABLISHED BUSINESSES

Ports and related services
Property and hotels
Retail
Cheung Kong Infrastructure
Husky Energy
Finance & Investments
Hutchison Telecommunications International
Others
Subtotal - established businesses
<b>TELECOMMUNICATIONS - 3 Group</b>

Total liabilities								
Current & non-current borrowings <sup>(k)</sup>	Current & other non-current liabilities	Current & deferred tax liabilities	2008 Total liabilities	Current & non-current borrowings <sup>(k)</sup>	Current & other non-current liabilities	Current & deferred tax liabilities	2007 Total liabilities	
HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	
17,467	44,106	5,999	67,572	17,474	44,243	6,753	68,470	
2,165	732	5,791	8,688	2,162	837	5,751	8,750	
19,792	7,237	221	27,250	17,891	28,239	490	46,620	
1,406	6,793	1,183	9,382	1,435	7,766	1,430	10,631	
-	-	-	-	-	-	3,316	3,316	
3,501	63,522	618	67,641	4,550	63,618	735	68,903	
8,811	13,726	561	23,098	8,395	13,668	695	22,758	
1,932	516	226	2,674	3,714	645	807	5,166	
55,074	136,632	14,599	206,305	55,621	159,016	19,977	234,614	
29,964	139,388	292	169,644	35,876	169,762	316	205,954	
85,038	276,020	14,891	375,949	91,497	328,778	20,293	440,568	

## 2 Segment information (continued)

### Geographical segment

	Revenue										
	Company and Subsidiaries			Associates and JCE			2008 Total		2007 Total		
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	%	
Hong Kong	40,727	11,562	52,289	15%	35,212	14,087	49,299			16%	
Mainland China	21,361	12,985	34,346	10%	19,405	9,237	28,642			9%	
Asia and Australia	42,350	4,562	46,912	13%	31,084	10,871	41,955			14%	
Europe	120,494	19,405	139,899	40%	121,273	15,595	136,868			44%	
Americas and others	10,529	64,390	74,919	22%	11,752	40,259	52,011			17%	
	<b>235,461</b>	<b>112,904</b>	<b>348,365</b>	<b>100%</b>	<b>218,726</b>	<b>90,049</b>	<b>308,775</b>			<b>100%</b>	

	EBIT (LBIT) <sup>(b)</sup>										
	Company and Subsidiaries			Associates and JCE			2008 Total		2007 Total		
	HK\$ millions	HK\$ millions	HK\$ millions	%	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	%	
Hong Kong	6,934	4,847	11,781	23%	13,217	5,292	18,509			29%	
Mainland China	7,509	6,008	13,517	26%	5,042	3,128	8,170			13%	
Asia and Australia	4,535	904	5,439	10%	2,499	2,580	5,079			8%	
Europe	(5,882)	1,828	(4,054)	-8%	(13,014)	1,513	(11,501)			-18%	
Americas and others	4,648	13,411	18,059	35%	6,628	10,742	17,370			27%	
Change in fair value of investment properties	672	152	824	1%	1,988	7	1,995			3%	
Profit (loss) on disposal of investments and others (See note 3)	3,458	3,122	6,580	13%	(11,182)	35,820	24,638			38%	
<b>EBIT</b>	<b>21,874</b>	<b>30,272</b>	<b>52,146</b>	<b>100%</b>	<b>5,178</b>	<b>59,082</b>	<b>64,260</b>			<b>100%</b>	

Group's share of the following profit and loss items of associated companies and jointly controlled entities:

Interest and other finance costs	-	(3,222)	(3,222)	-	(3,446)	(3,446)
Current tax	-	(3,886)	(3,886)	-	(2,532)	(2,532)
Deferred tax	-	(2,256)	(2,256)	-	(1,579)	(1,579)
Minority interests	-	22	22	-	(365)	(365)
	<b>21,874</b>	<b>20,930</b>	<b>42,804</b>		<b>5,178</b>	<b>51,160</b>

	Capital expenditure <sup>(a)</sup>				
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2008 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	1,823	-	129	817	2,769
Mainland China	1,848	-	-	-	1,848
Asia and Australia	5,659	-	-	1,972	7,631
Europe	15,799	384	421	14,963	31,567
Americas and others	2,649	-	-	-	2,649
	<b>27,778</b>	<b>384</b>	<b>550</b>	<b>17,752</b>	<b>46,464</b>

	Capital expenditure <sup>(a)</sup>				
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	Telecom- munications postpaid CACs	2007 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	1,056	-	36	345	1,437
Mainland China	3,655	-	-	1	3,656
Asia and Australia	5,753	-	-	1,285	7,038
Europe	15,789	86	536	10,194	26,605
Americas and others	2,703	-	-	-	2,703
	<b>28,956</b>	<b>86</b>	<b>572</b>	<b>11,825</b>	<b>41,439</b>

**2 Segment information (continued)**  
**Geographical segment (continued)**

	Total assets							
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		Company and Subsidiaries		Investments in associated companies and interests in joint ventures	
	Segment assets <sup>(b)</sup>	Deferred tax assets	2008 Total assets	2007 Total assets	Segment assets <sup>(b)</sup>	Deferred tax assets	2007 Total assets	2007 Total assets
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	101,772	535	29,320	131,627	117,866	457	30,172	148,495
Mainland China	38,340	13	33,864	72,217	39,952	57	29,631	69,640
Asia and Australia	63,028	64	10,399	73,491	67,092	103	11,093	78,288
Europe	273,001	12,566	7,073	292,640	307,242	16,914	6,610	330,766
Americas and others	68,353	70	41,687	110,110	134,185	88	37,764	172,037
	<b>544,494</b>	<b>13,248</b>	<b>122,343</b>	<b>680,085</b>	<b>666,337</b>	<b>17,619</b>	<b>115,270</b>	<b>799,226</b>

- (a) The percentages shown represent the contributions to total revenues and EBIT of established businesses.
- (b) Earnings (losses) before interest expense and tax (“EBIT” or “LBIT”) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group’s share of the EBIT (LBIT) of associated companies and jointly controlled entities which is included as supplementary information. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group’s financial information and consolidated financial statements and is used by many industries and investors as one measure of profit (loss) from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group’s internal financial and management reporting to monitor business performance. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.
- “EBIT – Established businesses” and “EBIT (LBIT) – Telecommunications – 3 Group” are presented before the change in fair value of investment properties and profit (loss) on disposal of investments and others.
- (c) Included in EBIT of Property and hotels in 2008 is a gain of HK\$2,141 million (2007 – nil) on disposal of subsidiaries, whose principal asset is an investment property, by a listed subsidiary, HHR. The result of operations of HHR, other than this gain, is presented under Others.
- (d) Included in EBIT of Finance & Investments in 2008 is the one-time profits on disposal of certain listed equity investments of HK\$2,084 million (2007 – HK\$9,754 million).
- (e) Included in EBIT of Hutchison Telecommunications International in 2008 are contributions from certain suppliers amounting to HK\$731 million (2007 – nil) in relation to its Indonesian operations.
- (f) Included in EBIT (LBIT) of Telecommunications – 3 Group in 2008 are foreign exchange gains totalling HK\$2,945 million (2007 – HK\$1,898 million) which mainly comprise a HK\$586 million (2007 – HK\$1,123 million) gain arising from the Group’s refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK\$2,359 million (2007 – HK\$775 million) gain arising from the Group’s refinancing of certain non-Euro borrowings with Euro bank loans, and a release of provision of HK\$1,076 million (2007 – nil) that had been set up in prior year for certain onerous operating leases. During the current year, 3 Group has engaged negotiation with the new owner of certain leased properties and as a result of the negotiation new lease contracts have been signed with the new owner that superseded the original operating lease contracts signed with the previous owner of these properties on which a provision of HK\$2,265 million for onerous operating leases was made in prior year. Based on the terms of the new contracts the Group has revised the assessment of the least net cost of exiting from leases in respect of these properties and found a provision of HK\$1,076 million to be no longer required, and have recognised it in current year’s profit and loss account.
- (g) Included in capital expenditures of Telecommunications – 3 Group in 2008 is the effect of foreign exchange translation of overseas subsidiaries’ fixed assets balances at 31 December 2008 which has an effect of decreasing total expenditure by HK\$1,062 million (2007 – increasing total expenditure by HK\$1,433 million).
- (h) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, telecommunications postpaid customer acquisition and retention costs, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.
- (i) Included in total assets of Telecommunications – 3 Group is an unrealised foreign currency exchange loss arising in 2008 of HK\$28,861 million (2007 – gain of HK\$8,924 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.
- (j) Segment liabilities comprise trade and other payables and pension obligations.
- (k) Current and non-current borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

### 3 Profit (loss) on disposal of investments and others

	2008	2007
	HK\$ millions	HK\$ millions
<b>ESTABLISHED BUSINESSES</b>		
Group's share of Husky's gain on partial disposal in a resource property <sup>(a)</sup>	3,122	-
Gain on disposal of minority equity interests in certain ports to strategic partners	2,037	-
Profit on disposal of certain telecommunications tower assets in Indonesia <sup>(b)</sup>	1,421	-
Group's share of HTIL's gain on disposal of CGP <sup>(c)</sup>	-	35,820
HTIL's full provision for its investment in the mobile business in Thailand <sup>(d)</sup>	-	(3,854)
Loss on CKI's disposal of a toll road infrastructure investment in Mainland China and CKI's provision for a toll road infrastructure investment in Australia <sup>(e)</sup>	-	(1,513)
<b>TELECOMMUNICATIONS - 3 Group</b>		
Profit on disposal of 3 UK's wholesale fixed line business	-	1,119
Deemed dilution profit arising from HTAL restructuring with a minority shareholder <sup>(f)</sup>	-	955
Write-off of customer acquisition and retention costs and content and other similar rights <sup>(g)</sup>	-	(4,608)
Provision mainly for disputed receivables relating to 3 UK and 3 Italia's interconnection disputes	-	(3,281)
Gain of HK\$19,788 million arising from a network sharing arrangement whereby 3 UK obtains a right to share another UK operator's mobile network offset by a one-time provision of HK\$19,788 million for related costs to restructure its network infrastructure <sup>(h)</sup>	-	-
	<b>6,580</b>	<b>24,638</b>

- (a) Husky Energy ("Husky"), a Canadian listed associated company, formed an integrated oil sands joint venture with a third party and contributed its Sunrise oil sands property to the joint venture in exchange for a 50% equity interest in the joint venture. The Group's share of Husky's gain on partial disposal of 50% of its Sunrise oil sands property represents the Group's share of this gain under HKFRS.
- (b) Profit on disposal of certain telecommunications tower assets represents the profit on the sale by listed subsidiary, Hutchison Telecommunications International ("HTIL"), of certain mobile telecommunications tower assets in Indonesia.
- (c) The Group's share of HTIL gain on disposal of CGP Investments (Holdings) Limited ("CGP") represented the Group's share of the disposal gain of HTIL, a listed associated company of the Group at the time of the transaction, on the sale of CGP, which indirectly held its entire interest in its mobile business in India.
- (d) In view of the continuing difficulties faced by its mobile telecommunications operation in Thailand, the Group's listed subsidiary, HTIL recognised an impairment charge of HK\$3,854 million for its Thailand operation, mainly in respect of telecommunications network assets.
- (e) This amount represents the Group's loss after asset valuation consolidation adjustments arising from listed subsidiary, Cheung Kong Infrastructure's ("CKI") sale of its entire equity and loan interests in Guangzhou ESW Ring Road and CKI's provision for investments in securities of an infrastructure project in Australia.
- (f) Deemed dilution profit arose in connection with the issuance of new equity by the Group's listed subsidiary, Hutchison Telecommunications Australia Limited ("HTAL"), to acquire from a minority shareholder all the remaining interests in Hutchison 3G Australia, its then non-wholly owned subsidiary.
- (g) Write-off of customer acquisition and retention costs and content and other similar rights mainly comprised write-off of certain capitalised acquisition costs relating to customers migrating to lower tariff plans following a decision to discontinue certain promotional tariff plan offerings and write-off of capitalised intangible content costs relating to content that are less active.
- (h) In December 2007, 3 UK entered into a network sharing agreement with another UK mobile communications operator. 3 UK's right to share the other UK mobile communications operator's mobile network assets gave rise to a gain of HK\$19,788 million. This gain had been offset by the related costs to restructure 3 UK's network infrastructure of the same amount, comprising a decommissioning charge against fixed assets of HK\$11,060 million, restructuring provision of HK\$4,685 million and write off of prepayments amounting to HK\$4,043 million.

#### 4 Interest and other finance costs

	2008 HK\$ millions	2007 HK\$ millions
Bank loans and overdrafts	7,747	7,408
Other loans repayable within 5 years	690	626
Other loans not wholly repayable within 5 years	1	6
Notes and bonds repayable within 5 years	4,125	2,659
Notes and bonds not wholly repayable within 5 years	4,146	7,483
	<b>16,709</b>	18,182
Interest bearing loans from minority shareholders repayable within 5 years	506	533
Interest bearing loans from minority shareholders not wholly repayable within 5 years	152	289
	<b>17,367</b>	19,004
Notional non-cash interest accretion <sup>(a)</sup>	524	546
	<b>17,891</b>	19,550
Less: interest capitalised <sup>(b)</sup>	(605)	(496)
	<b>17,286</b>	19,054

(a) Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the balance sheet such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future, and amortisation of upfront facility fees.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 3.5% to 7.9% per annum (2007 - 4.3% to 8.0% per annum).

#### 5 Tax

	Current tax HK\$ millions	Deferred tax HK\$ millions	2008 Total HK\$ millions	Current tax HK\$ millions	Deferred tax HK\$ millions	2007 Total HK\$ millions
Hong Kong	626	10	636	421	1,644	2,065
Outside Hong Kong	2,818	(2,586)	232	2,347	7	2,354
	<b>3,444</b>	<b>(2,576)</b>	<b>868</b>	2,768	1,651	4,419

Hong Kong profits tax has been provided for at the rate of 16.5% (2007 - 17.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, no deferred tax asset has been recognised for the losses of 3 Group (2007 - nil).

The Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future. In the current year, the Group wrote back a HK\$2,764 million provision for deferred tax liabilities that had been set up in previous years in respect of potential dividend withholding tax on undistributed profits. The write back was made based on a revised assessment that it is not probable that this temporary difference would reverse in the foreseeable future.

#### 6 Profit attributable to shareholders of the Company

Included in profit attributable to shareholders is a surplus of HK\$2,870 million (2007 - HK\$7,722 million) transferred from revaluation reserve.

#### 7 Earnings per share for profit attributable to shareholders of the Company

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK\$17,664 million (2007 - HK\$30,600 million) and on 4,263,370,780 shares in issue during 2008 (2007 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2008. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2008 did not have a dilutive effect on earnings per share.

## 8 Cash and cash equivalents

	2008	2007
	HK\$ millions	HK\$ millions
Cash at bank and in hand	16,835	13,650
Short term bank deposits	40,451	97,657
	<b>57,286</b>	<b>111,307</b>

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

## 9 Trade and other receivables

	2008	2007
	HK\$ millions	HK\$ millions
Trade receivables	27,044	28,951
Other receivables and prepayments	27,442	26,235
Fair value hedges		
Interest rate swaps	-	100
Cash flow hedges		
Forward foreign exchange contracts	281	88
	<b>54,767</b>	<b>55,374</b>

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

At 31 December, the ageing analysis of the trade receivables is as follows:

	2008	2007
	HK\$ millions	HK\$ millions
Less than 31 days	13,502	13,305
Within 31 to 60 days	2,793	3,388
Within 61 to 90 days	909	1,312
Over 90 days	9,840	10,946
	<b>27,044</b>	<b>28,951</b>

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value.

As stated above trade receivables which are past due at the balance sheet date are stated at the expected recoverable amount, net of estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's 5 largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2008 and 2007.

## 10 Trade and other payables

	2008	2007
	HK\$ millions	HK\$ millions
Trade payables	23,571	27,206
Other payables and accruals	51,708	53,145
Provisions	3,723	6,476
Interest free loans from minority shareholders	3,465	3,088
Fair value hedges		
Interest rate swaps	-	3
Cash flow hedges		
Cross currency interest rate swaps	8	-
Forward foreign exchange contracts	22	111
	<b>82,497</b>	<b>90,029</b>

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

	2008	2007
	HK\$ millions	HK\$ millions
Less than 31 days	12,454	14,322
Within 31 to 60 days	2,917	3,290
Within 61 to 90 days	1,266	2,556
Over 90 days	6,934	7,038
	<b>23,571</b>	<b>27,206</b>

The Group's 5 largest suppliers accounted for less than 18% of the Group's cost of purchases for the years ended 31 December 2008 and 2007.

## **GROUP CAPITAL RESOURCES AND LIQUIDITY**

### **Treasury Management**

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

### **Cash Management and Funding**

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

### **Interest Rate Exposure**

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

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



### Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. During the year, the currencies of most of those countries where the Group has overseas operations weakened against the HK dollar. This gave rise to an unrealised loss of HK\$38,917 million (2007 – gain of HK\$6,788 million) on translation of these operations' net assets to the Group's HK dollar reporting currency, which was reflected as a movement in the Group's reserves.

At 31 December 2008, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$62 million to non-US dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts are denominated as follows: 15% in HK dollars, 35% in US dollars, 33% in Euro, 6% in British Pounds and 11% in others currencies. During 2008, HTIL closed out all foreign exchange swap contracts (remaining contracts at 31 December 2007 amounted to US\$1,095 million) under which HTIL agreed to sell Thai Baht and buy US dollar at pre-agreed rates. HTIL entered into these contracts solely to fulfill local exchange control requirements when HTIL injected additional funding into Thailand for repayment of its outstanding external debt in 2007. HTIL recognised a loss of HK\$20 million in its profit and loss account in respect of these transactions in 2008.

### Credit Exposure

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

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

### Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 31 December 2008, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch and all ratings are with a stable outlook.

### Market Price Risk

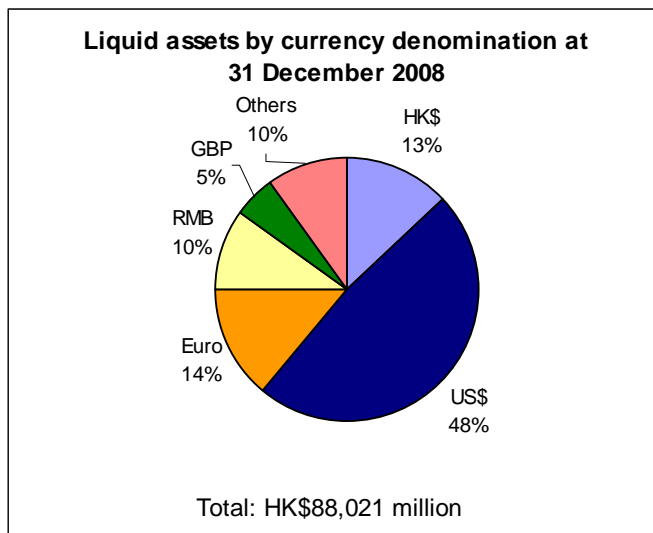
The Group's main market price risk exposures relate to listed debt and equity securities described in "liquid assets" below and the interest rate swap as described in "interest rate exposure" above. The Group's holding of listed debt and equity securities represented approximately 33% (2007 – approximately 35%) of the liquid assets. The Group controls this risk through monitoring the price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

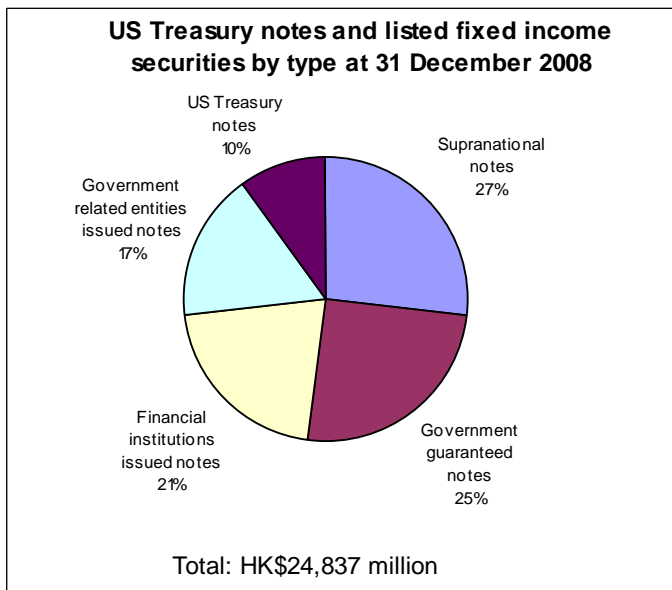
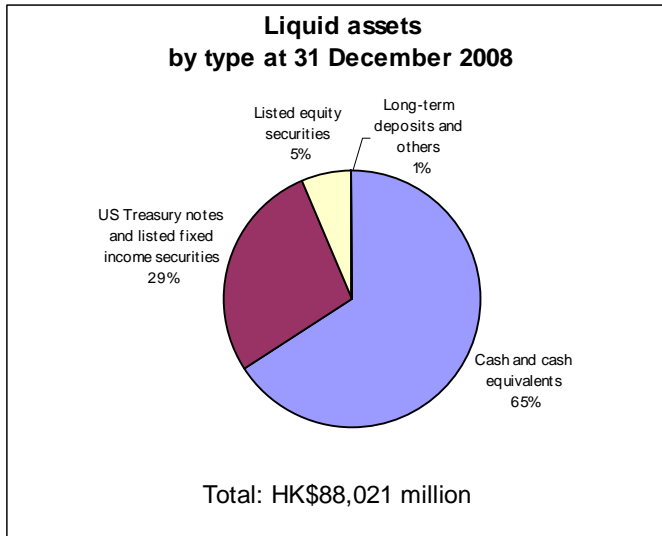
### Liquid Assets

The Group continues to have a healthy financial position benefiting from both the steady cash flow from its established businesses and improving cash flow from the 3 Group businesses. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$88,021 million at 31 December 2008, 51% lower than the balance as at 31 December 2007 of HK\$180,499 million. The lower liquid assets balance at 31 December 2008 is mainly due to the Group's utilisation of cash deposits on hand to repay debts, as they matured and also to repay certain debts maturing in late 2008 and in 2009 totalling HK\$83,729 million. Of the liquid assets, 13% were denominated in HK dollars, 48% in US dollars, 14% in Euro, 10% in Renminbi, 5% in British Pounds and 10% in other currencies.

Cash and cash equivalents represented 65% (2007 – 62%) of the liquid assets, US Treasury notes and listed fixed income securities 29% (2007 – 29%), listed equity securities 5% (2007 – 7%) and long-term deposits and others 1% (2007 – 2%).

The US Treasury notes and listed fixed income securities, including those held under managed funds, consisted of supranational notes (27%), government guaranteed notes (25%), financial institutions issued notes (21%), government related entities issued notes (17%) and US Treasury notes (10%). Of these US Treasury notes and listed fixed income securities, 73% are rated at Aaa/AAA with an average maturity of less than one year on the overall portfolio. The Group has no exposure in mortgage backed securities, collateralised debt obligations or similar asset classes.





### Cash Flow

Consolidated EBITDA before all CACs amounted to HK\$96,392 million (2007 – HK\$129,305 million) for 2008, a 25% decrease from last year, mainly due to the Group’s share of one-time cash profits arising from then associated company HTIL’s disposal of its indirect interests in its mobile telecommunications operations in India totalling HK\$35,820 million in 2007. Excluding the cash profits from disposal of investments and others in both years, EBITDA before all CACs increased 4% to HK\$94,971 million (2007 – HK\$91,451 million) for the year. Consolidated funds from operations (“FFO”), before cash profits from disposals, capital expenditures, investment in all CACs and changes in working capital amounted to HK\$42,500 million (2007 – HK\$65,290 million), a 35% decrease from last year, mainly due to the receipt of a HK\$16,037 million special dividend from then associated company HTIL in 2007. Excluding this special dividend, FFO before cash profits from disposals, capital expenditures, investment in all CACs and changes in working capital decreased 14% from HK\$49,253 million in 2007 to HK\$42,500 million in 2008, mainly due to higher profits on the disposal of certain listed equity investments recognised in 2007 of

HK\$9,754 million, compared to HK\$2,084 million in 2008. FFO from the Group's established businesses, excluding the aforementioned special dividend from HTIL and profits on disposal of certain listed equity investments, increased 3% from HK\$33,103 million in 2007 to HK\$34,198 million in 2008.

The 3 Group's investment in CACs totalled HK\$20,392 million for the year, an 18% increase from 2007 of HK\$17,211 million, mainly due to the increased number of customers acquired and retained during the year, and in particular, the acquisition and retention of contract customers, partially offset by lower cost per customer. Prepaid CACs and other customer acquisition costs which are expensed as incurred, totalled HK\$3,457 million, a 40% decrease compared to HK\$5,732 million last year. 3 Group's cost of contract customers acquired and retained, which are capitalised, totalled HK\$16,935 million during the year, an increase of 48% compared to HK\$11,479 million last year.

In 2008, the Group's capital expenditures decreased 3% to total HK\$28,712 million (2007 – HK\$29,614 million). The decrease in the Group's total capital expenditures is primarily due to reduced expenditures by the 3 Group, partially offset by the full year consolidation of the capital expenditures of HTIL in 2008 as HTIL became subsidiary of the Group on 14 June 2007. Capital expenditures for the ports and related services division amounted to HK\$9,502 million (2007 – HK\$9,404 million); for the property and hotels division HK\$89 million (2007 – HK\$89 million); for the retail division HK\$1,686 million (2007 – HK\$1,843 million); for the energy and infrastructure division HK\$92 million (2007 – HK\$183 million); for the finance and investments division HK\$14 million (2007 – HK\$50 million); for HTIL HK\$4,519 million (2007 – HK\$3,352 million); for the others HK\$84 million (2007 – HK\$102 million) and for the 3 Group HK\$12,726 million (2007 – HK\$14,591 million).

The capital expenditures of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

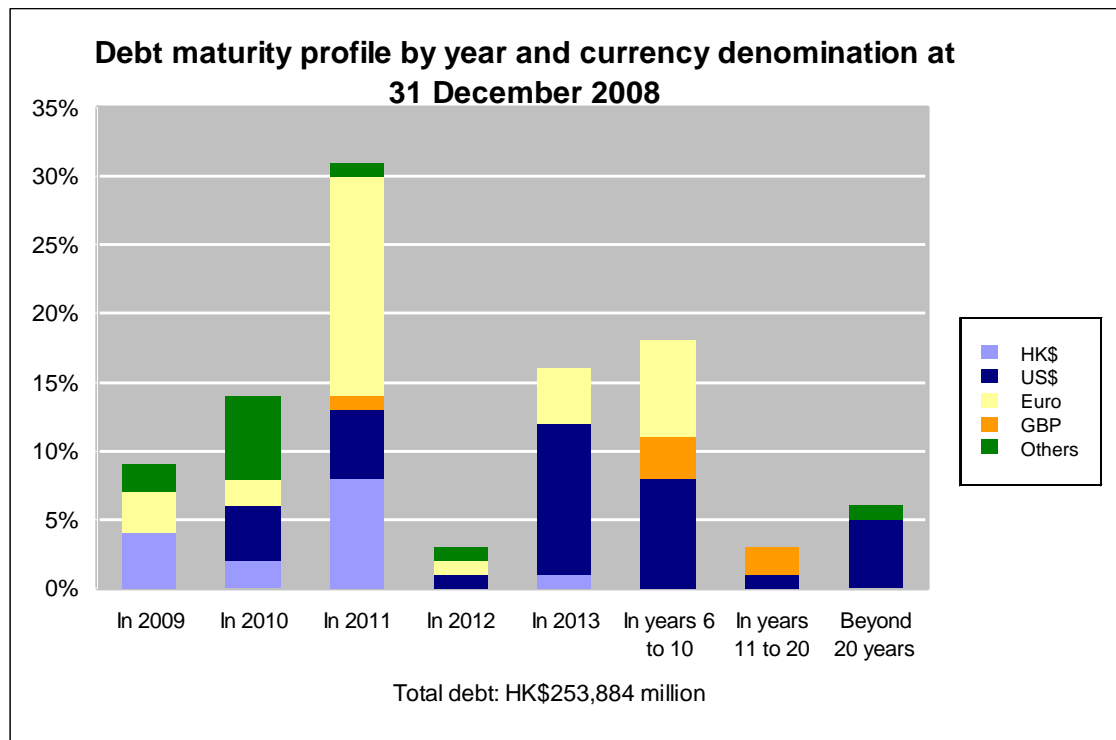
#### **Debt Maturity and Currency Profile**

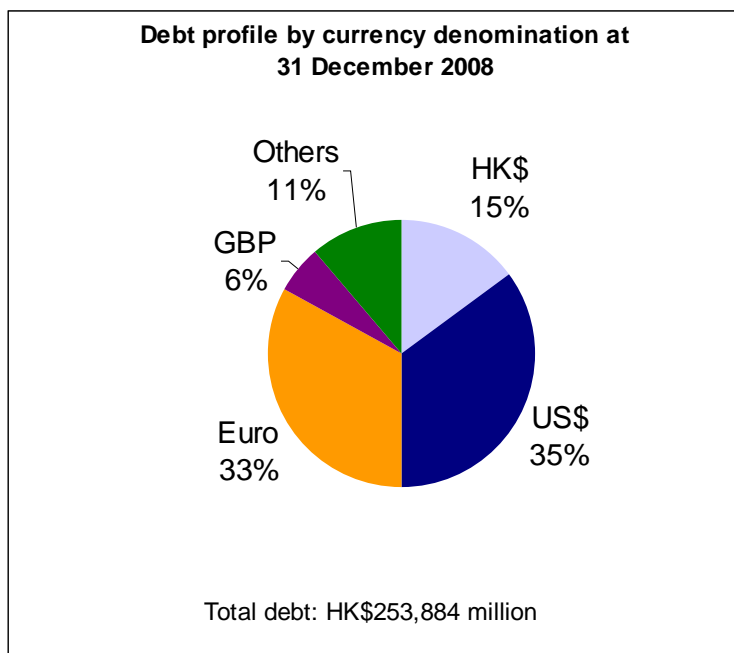
The Group's total principal amount of bank and other debts at 31 December 2008 decreased 18% to total HK\$253,884 million (2007 – HK\$311,279 million). The net decrease in principal amount of bank and other debts was mainly due to the repayment of debts as they matured and also prepayment of certain debts maturing in late 2008 and in 2009 totalling HK\$83,729 million net of increased borrowings of HK\$41,267 million, as well as the favourable effect of the translation of foreign currency denominated loans to HK dollars of HK\$15,288 million. The Group's weighted average cost of debt for the year to 31 December 2008 reduced 0.7% to 5.2% (year ended 31 December 2007 – 5.9%). Interest bearing loans from minority shareholders, which are viewed as quasi-equity, totalled HK\$13,348 million at 31 December 2008 (2007 – HK\$12,508 million).

The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2008 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2009	4%	-	3%	-	2%	9%
In 2010	2%	4%	2%	-	6%	14%
In 2011	8%	5%	16%	1%	1%	31%
In 2012	-	1%	1%	-	1%	3%
In 2013	1%	11%	4%	-	-	16%
In years 6 to 10	-	8%	7%	3%	-	18%
In years 11 to 20	-	1%	-	2%	-	3%
Beyond 20 years	-	5%	-	-	1%	6%
Total	15%	35%	33%	6%	11%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings, as a matter of policy, have credit rating triggers that would accelerate the maturity dates of the debt outstanding.





### Changes in Financing

The significant financing activities in 2008 were as follows:

- In March, repaid at maturity, fixed rate notes of A\$800 million (approximately HK\$5,968 million);
- In March, repaid at maturity, fixed rate notes of €9.8 million (approximately HK\$1,157 million);
- In April, obtained a 2-year, floating rate bank loan facility of €100 million (approximately HK\$1,214 million), primarily to refinance existing indebtedness.
- In May, listed subsidiary HTIL obtained a 364-day floating rate HK\$9,000 million loan facility from a group of ten banks to refinance its Hong Kong operations and to finance the development of its Indonesia operations.
- In May, listed subsidiary HTIL fully repaid a floating rate HK\$4,000 million syndicated bank loan at its maturity date;
- In May, obtained a 5-year, floating rate term loan facility of HK\$1,400 million, to refinance existing indebtedness due in 2008;
- In June, obtained a short term 6-month, floating rate term loan facility of £350 million (approximately HK\$5,373 million), to refinance existing indebtedness;
- In June, obtained an 18-month, floating rate term loan facility of €450 million (approximately HK\$5,458 million), to refinance existing indebtedness;
- In June, obtained three short term 6-month, floating rate term loan facilities totalling €388 million (approximately HK\$4,712 million), and these facilities were fully repaid in October and December;
- In July, obtained a 3-year, floating rate syndicated term loan facility of HK\$3,800 million, to refinance existing indebtedness due in 2008;
- In August, listed subsidiary CKI obtained two 35-month, floating rate term loan facilities totalling £100 million (approximately HK\$1,498 million), to refinance existing indebtedness due in 2008;
- In September, prepaid floating rate term loan facilities totalling £1,200 million (approximately HK\$16,451 million);

- In October, obtained a 3-year, floating rate syndicated term loan facility of HK\$5,500 million, to refinance existing indebtedness due in 2008;
- In October, prepaid €80 million (approximately HK\$1,910 million) of a debt due in April 2009;
- In November, repaid at maturity, a floating rate syndicated term loan of HK\$3,000 million;
- In December, listed subsidiary CKI obtained an 18-month, floating rate term loan facility of A\$210 million (approximately HK\$1,085 million), to refinance existing indebtedness due in 2008;
- In December, listed subsidiary HTAL prepaid various floating rate term loans totalling A\$1,100 million (approximately HK\$5,627 million);
- In December, repaid at maturity, a floating rate term loan of €100 million (approximately HK\$1,038 million); and
- In December, prepaid a floating rate syndicated term loan of €1,280 million (approximately HK\$13,645 million).

### **Capital, Net Debt and Interest Coverage Ratios**

The Group's total shareholders' funds decreased 12% to HK\$271,576 million at 31 December 2008 compared to HK\$310,014 million at 31 December 2007. The decrease in shareholders' funds is mainly due to the non-cash unfavourable effect of HK\$38,917 million arising from the translation of overseas subsidiaries net assets at 31 December 2008 exchange rates, which in the case of Euro and British Pounds, were at substantially lower rates to the HK dollar than the prior year end's rates. This decrease was partially offset by the profit for the year ended 31 December 2008 net of dividends paid and augmented by the unfavourable change in valuation of certain equity investments as recorded in reserves. At 31 December 2008, the consolidated net debt of the Group, excluding interest bearing loans from minority shareholders which are viewed as quasi-equity, unamortised loan facilities fee and premium or discount on issue and fair value changes of interest rate swap contracts, was HK\$165,863 million (2007 – HK\$130,780 million), a 27% increase from the beginning of the year. The Group's net debt to net total capital ratio is affected each year by foreign currency translation effects on shareholder funds and also on loans. This ratio before the effects of foreign currency translation and other non-cash movements at 31 December 2008 is 32%, and increases to 34% after this effect (2007 – 26%).

As additional information, the following table shows the net debt to net total capital ratio calculated on the basis of including interest bearing loans from minority shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at 31 December 2008.

<b>Net debt / Net total capital ratios at 31 December 2008:</b>	<b>Before the effect of foreign currency translation and other non-cash movements</b>	<b>After the effect of foreign currency translation and other non-cash movements</b>
A1 – excluding interest bearing loans from minority shareholders from debt	32%	34%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	30%	33%
B1 – including interest bearing loans from minority shareholders as debt	34%	37%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	33%	35%

The Group's consolidated gross interest expense and other finance costs of subsidiaries, before capitalisation, decreased 8% to total HK\$17,891 million in 2008, compared to HK\$19,550 million last year, mainly due to lower effective market interest rate in 2008 and lower interest expenses obligation as a result of the previously mentioned debt repayments in 2008.

Consolidated EBITDA and FFO before all CACs for the year covered consolidated net interest expense and other finance costs 7.5 times and 4.4 times respectively (2007 – 9.8 times and 6.2 times).

#### **Secured Financing**

At 31 December 2008, assets of the Group totalling HK\$10,857 million (2007 – HK\$30,700 million) were pledged as security for bank and other debts.

#### **Borrowing Facilities Available**

Committed borrowing facilities available to Group companies but not drawn at 31 December 2008 amounted to the equivalent of HK\$13,342 million (2007 – HK\$14,300 million).

#### **Contingent Liabilities**

At 31 December 2008, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities of HK\$3,749 million (2007 – HK\$6,690 million), and provided performance and other guarantees of HK\$7,820 million (2007 – HK\$9,390 million).



## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the year.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company strives to attain the highest standards of corporate governance. Throughout the year ended 31 December 2008, the Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that throughout the year ended 31 December 2008, they have complied with the provisions of such Model Code.

## **REVIEW OF ACCOUNTS**

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2008 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, PricewaterhouseCoopers. The unqualified auditor's report will be included in the Annual Report to shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 14 May 2009 to Thursday, 21 May 2009, both dates inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Wednesday, 13 May 2009.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday, 21 May 2009. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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  
Mr William Elkin MOCATTA  
*(Alternate to The Hon Sir Michael David Kadoorie)*  
Mr OR Ching Fai, Raymond  
Mr WONG Chung Hin