

Hutchison Whampoa Limited announced on 23/03/2006:  
(stock code: 00013 )  
Year end date: 31/12/2005  
Currency: HKD  
Auditors' Report: Unqualified

	(Audited )	(As restated, note 1&2) (Audited )
	Current Period from 01/01/2005 to 31/12/2005	Last Corresponding Period from 01/01/2004 to 31/12/2004
	Note ('Million )	('Million )
Turnover	: 182,584	134,595
Profit/(Loss) from Operations	3 : 14,938	7,240
Finance cost	: (15,405)	(11,220)
Share of Profit/(Loss) of Associates	: 8,067	5,921
Share of Profit/(Loss) of Jointly Controlled Entities	: 3,927	1,765
Profit/(Loss) after Tax & MI	: 14,343	12,978
% Change over Last Period	: +11 %	
EPS/(LPS)-Basic (in dollars)	4 : 3.36	3.04
-Diluted (in dollars)	: N/A	N/A
Extraordinary (ETD) Gain/(Loss)	: N/A	N/A
Profit/(Loss) after ETD Items	: 14,343	12,978
Final Dividend per Share	: \$1.22	\$1.22
(Specify if with other options)	: N/A	N/A
B/C Dates for Final Dividend	: 11/05/2006	to 18/05/2006 bdi.
Payable Date	: 19/05/2006	
B/C Dates for (-) General Meeting	: N/A	
Other Distribution for Current Period	: N/A	
B/C Dates for Other Distribution	: N/A	

## Notes to the Accounts

### 1 Adoption of new and revised Hong Kong Financial Reporting Standards

Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes Hong Kong Accounting Standards "HKAS" and Interpretations "HK-INT") that are effective or available for early adoption for the financial year beginning 1 January 2005. In the current year, the Group has adopted retrospectively, where required, all remaining new and revised HKFRS that are currently in issue and effective for the financial year beginning 1 January 2005 and has elected to early adopt Amendment to HKAS 19, Employee benefits - actuarial gains and losses, group plans and disclosures, ahead of its effective date of 1 January 2006.

HKICPA may issue new and revised standards and interpretations subsequent to the date of issuance of these accounts. In addition, interpretations on the application of HKFRS will continue to develop. These factors may require adoption of new accounting policies.

Note 2 sets out information on the effect of the adoption of new and revised HKFRS accounting policies for the current and prior years. As explained in note 2(n), HKAS 39, Financial instruments: recognition and measurement, does not require retrospective application and therefore adjustments made with respect to the changes in accounting policies under this standard are only recorded as at 1 January 2005 with no retrospective adjustments made to prior year comparatives.

### 2 Effect of the adoption of new and revised HKFRS accounting policies

The effect, where material, of the adoption is summarised below.

#### (a) Restatement of prior year and opening balances

##### (i) Effect on the consolidated profit and loss account for the year ended 31 December 2004

in HK\$ millions	2004 (as previously reported)	Effect of adopting new policies - increase (decrease) in profit attributable to shareholders of the Company												2004 (as restated)		
		HKAS 1 (c)&(d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)		Sub-total	
<b>Company and subsidiary companies</b>																
Revenue	134,595	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,595
Cost of inventories sold	(52,006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52,006)
Staff costs	(21,525)	-	-	-	-	-	-	103	-	-	-	-	-	(56)	47	(21,478)
Telecommunications prepaid customer acquisition costs	(8,423)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,423)
Depreciation and amortisation	(30,263)	-	-	-	3	(62)	-	-	-	-	(405)	-	-	-	(464)	(30,727)
Other operating expenses	(38,680)	-	(1,062)	-	63	-	-	19	-	-	488	-	26	(466)	(39,146)	
Change in fair value of investment properties	5,244	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,244
Profit on disposal of investments, elimination of minority interests and others	19,181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,181
	8,123	-	(1,062)	-	66	(62)	-	122	-	-	83	-	(30)	(883)	7,240	
<b>Share of profits less losses of:</b>																
Associated companies	8,822	(2,813)	-	-	-	(27)	-	-	-	(33)	-	-	(28)	(2,901)	5,921	
Jointly controlled entities	2,422	(612)	-	-	(13)	(27)	(5)	-	-	-	-	-	-	(657)	1,765	
	11,244	(3,425)	-	-	(13)	(54)	(5)	-	-	(33)	-	-	(28)	(3,558)	7,686	
<b>Interest and other finance costs</b>	(12,712)	1,662	-	-	(23)	-	-	-	-	-	(147)	-	-	1,492	(11,220)	
<b>Profit before taxation</b>	6,655	(1,763)	(1,062)	-	30	(116)	(5)	122	-	(33)	(64)	-	(58)	(2,949)	3,706	
Current taxation charge	(3,776)	1,390	-	-	-	-	-	-	-	-	-	-	-	1,390	(2,386)	
Deferred taxation credit	6,818	373	-	(2,341)	(7)	-	-	(28)	-	-	-	-	-	(2,003)	4,815	
<b>Profit after taxation</b>	9,697	-	(1,062)	(2,341)	23	(116)	(5)	94	-	(33)	(64)	-	(58)	(3,562)	6,135	
<b>Allocated as:</b>																
Loss attributable to minority interests	6,431	-	92	265	9	7	-	(3)	-	5	17	-	20	412	6,843	

<b>Profit attributable to shareholders of the Company</b>	16,128	-	(970)	(2,076)	32	(109)	(5)	91	-	(28)	(47)	-	(38)	(3,150)	12,978
<b>Earnings per share for profit attributable to shareholders of the Company</b>	HK\$3.78	-	(HK\$0.23)	(HK\$0.49)	HK\$0.01	(HK\$0.03)	-	HK\$0.02	-	-	(HK\$0.01)	-	(HK\$0.01)	(HK\$0.74)	HK\$3.04

## 2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(ii) Effect on the consolidated balance sheet as at 31 December 2004 and 1 January 2005

in HK\$ millions	31.12 2004 (as previously reported)	Effect of adopting new policies - increase (decrease) in net assets										31.12 2004 (as restated)	Effect of HKAS 39	1.1 2005 (as restated)		
		HKAS 1 (c)&(d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)				HKFRS 2 (o)	Sub-total
<b>Assets</b>																
<b>Non-current assets</b>																
Fixed assets	210,937	(31,741)	-	-	(21)	(151)	(31,124)	-	-	-	(297)	-	(63,334)	147,603	-	147,603
Investment properties	-	31,741	-	-	-	-	-	-	-	-	-	-	31,741	31,741	-	31,741
Leasehold land prepayments	-	-	-	-	-	-	31,037	-	-	-	-	-	31,037	31,037	-	31,037
Telecommunications licences	102,138	-	-	-	-	-	-	-	-	-	922	-	922	103,060	(153)	102,907
Telecommunications postpaid customer acquisition costs	6,823	-	-	-	-	-	-	-	-	-	-	-	-	6,823	-	6,823
Goodwill	10,241	-	-	181	-	-	-	(15)	170	-	-	-	336	10,577	-	10,577
Brand names and other rights	-	-	-	-	-	-	-	-	-	1,559	-	-	1,559	1,559	-	1,559
Associated companies	55,332	-	-	-	(15)	(76)	-	(6)	47	(395)	-	-	(445)	54,887	(600)	54,287
Interests in joint ventures	35,963	-	-	-	(103)	(82)	(32)	10	-	-	-	-	(207)	35,756	(2,399)	33,357
Deferred tax assets	19,384	-	-	(7,125)	-	-	-	-	-	-	-	-	(7,125)	12,259	-	12,259
Other non-current assets	8,230	-	-	-	-	-	-	-	-	-	-	-	-	8,230	(549)	7,681
Liquid funds and other listed investments	66,503	-	-	-	-	-	-	-	-	-	-	-	-	66,503	(775)	65,728
	515,551	-	-	(6,944)	(139)	(309)	(119)	(11)	217	(395)	2,184	-	(5,516)	510,035	(4,476)	505,559
<b>Current assets</b>																
Cash and cash equivalents	73,798	-	-	-	-	-	-	-	-	-	-	-	-	73,798	-	73,798
Trade and other receivables	46,916	-	(657)	-	-	-	-	-	-	-	(386)	-	(1,043)	45,873	(192)	45,681
Inventories	17,970	-	(481)	-	-	-	-	-	-	-	-	-	(481)	17,489	-	17,489
	138,684	-	(1,138)	-	-	-	-	-	-	-	(386)	-	(1,524)	137,160	(192)	136,968
<b>Current liabilities</b>																
Trade and other payables	63,510	1,944	-	-	668	-	13	(9)	-	-	107	12	2,735	66,245	(2,288)	63,957
Current borrowings	23,118	-	-	-	-	-	-	-	-	-	-	-	-	23,118	-	23,118
Current tax payables	1,898	-	-	-	-	-	-	-	-	-	-	-	-	1,898	-	1,898
	88,526	1,944	-	-	668	-	13	(9)	-	-	107	12	2,735	91,261	(2,288)	88,973
<b>Net current assets</b>	50,158	(1,944)	(1,138)	-	(668)	-	(13)	9	-	-	(493)	(12)	(4,259)	45,899	2,096	47,995
<b>Total assets less current liabilities</b>	565,709	(1,944)	(1,138)	(6,944)	(807)	(309)	(132)	(2)	217	(395)	1,691	(12)	(9,775)	555,934	(2,380)	553,554
<b>Non-current liabilities</b>																
Long term borrowings	254,779	5,096	-	-	-	-	-	-	-	-	-	-	5,096	259,875	(2,544)	257,331
Deferred tax liabilities	11,893	-	-	-	2	-	(18)	(203)	-	-	-	-	(219)	11,674	(32)	11,642
Pension obligations	1,143	-	-	-	-	-	-	1,281	-	-	-	-	1,281	2,424	-	2,424
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	2,167	-	2,167	2,167	1,071	3,238
	267,815	5,096	-	-	2	-	(18)	1,078	-	-	2,167	-	8,325	276,140	(1,505)	274,635
Minority interests	37,053	(37,053)	-	-	-	-	-	-	-	-	-	-	(37,053)	-	-	-
<b>Net assets</b>	260,841	30,013	(1,138)	(6,944)	(809)	(309)	(114)	(1,080)	217	(395)	(476)	(12)	18,953	279,794	(875)	278,919
<b>Capital and reserves</b>																
Share capital	1,066	-	-	-	-	-	-	-	-	-	-	-	-	1,066	-	1,066
Reserves	259,775	-	(1,040)	(6,230)	(557)	(289)	(64)	(1,017)	210	(334)	(341)	(8)	(9,670)	250,105	(646)	249,459
<b>Shareholders' funds</b>	260,841	-	(1,040)	(6,230)	(557)	(289)	(64)	(1,017)	210	(334)	(341)	(8)	(9,670)	251,171	(646)	250,525
Minority interests	-	30,013	(98)	(714)	(252)	(20)	(50)	(63)	7	(61)	(135)	(4)	28,623	28,623	(229)	28,394
<b>Total equity</b>	260,841	30,013	(1,138)	(6,944)	(809)	(309)	(114)	(1,080)	217	(395)	(476)	(12)	18,953	279,794	(875)	278,919

## 2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

(b) Estimated effect on the current year

(i) Estimated effect on the consolidated profit and loss account for the year ended 31 December 2005

in HK\$ millions	Estimated effect of adopting new policies - increase (decrease) in profit attributable to shareholders of the Company												Total
	HKAS 1 (c)&(d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)	
<b>Company and subsidiary companies</b>													
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of inventories sold	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff costs	-	-	-	-	-	-	80	-	-	-	-	(134)	(54)
Telecommunications prepaid customer acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	161	(76)	-	-	-	-	(637)	-	-	(552)
Other operating expenses	-	(706)	-	(35)	-	-	-	-	-	706	350	-	315
Change in fair value of investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit on disposal of investments, elimination of minority interests and others	-	-	-	-	-	-	2	-	212	93	54	30	391
	-	(706)	-	126	(76)	-	82	-	212	162	404	(104)	100
<b>Share of profits less losses of:</b>													
Associated companies	(4,190)	-	-	11	(43)	-	30	-	-	-	102	(18)	(4,108)
Jointly controlled entities	(1,454)	-	-	(17)	(61)	(5)	(1)	-	-	-	-	-	(1,538)
	(5,644)	-	-	(6)	(104)	(5)	29	-	-	-	102	(18)	(5,646)
<b>Interest and other finance costs</b>	2,751	-	-	(12)	-	-	-	-	-	(148)	3	-	2,594
<b>Profit before taxation</b>	(2,893)	(706)	-	108	(180)	(5)	111	-	212	14	509	(122)	(2,952)
Current taxation charge	1,608	-	-	-	-	-	-	-	-	-	-	-	1,608
Deferred taxation credit	1,285	-	(3,990)	-	1	-	(26)	-	-	-	(26)	1	(2,755)
<b>Profit after taxation</b>	-	(706)	(3,990)	108	(179)	(5)	85	-	212	14	483	(121)	(4,099)
<b>Allocated as:</b>													
<b>Loss attributable to minority interests</b>	-	33	326	(29)	8	-	(8)	-	(33)	36	(46)	59	346
<b>Profit attributable to shareholders of the Company</b>	-	(673)	(3,664)	79	(171)	(5)	77	-	179	50	437	(62)	(3,753)
<b>Earnings per share for profit attributable to shareholders of the Company</b>	-	(HK\$0.16)	(HK\$0.86)	HK\$0.02	(HK\$0.04)	-	HK\$0.02	-	HK\$0.04	HK\$0.01	HK\$0.10	(HK\$0.01)	(HK\$0.88)

(ii) Estimated effect on the consolidated balance sheet as at 31 December 2005

in HK\$ millions	Estimated effect of adopting new policies - increase (decrease) in net assets												Total
	HKAS 1 (c)&(d)	HKAS 2 (e)	HKAS 12 (f)	HKAS 16 (g)	HK-INT 2 (h)	HKAS 17 (i)	Amend. to HKAS 19 (j)	HKAS 21 (k)	HKAS 28 (l)	HKAS 38 (m)	HKAS 39 (n)	HKFRS 2 (o)	
<b>Assets</b>													
<b>Non-current assets</b>													
Fixed assets	(38,557)	-	-	415	(196)	(32,464)	-	-	-	(211)	-	-	(71,013)
Investment properties	38,557	-	-	-	-	-	-	-	-	-	-	-	38,557
Leasehold land prepayments	-	-	-	-	-	32,374	-	-	-	-	-	-	32,374
Telecommunications licences	-	-	-	-	-	-	-	-	-	-	(133)	-	(133)
Telecommunications postpaid customer acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	46	572	6	-	-	(13)	121	-	-	84	-	816
Brand names and other rights	-	-	-	-	-	-	-	-	-	1,954	-	-	1,954
Associated companies	-	-	-	(104)	(118)	-	(146)	(50)	(110)	(221)	(142)	(2)	(893)
Interests in joint ventures	-	-	-	(120)	(144)	(37)	19	-	-	-	(754)	-	(1,036)
Deferred tax assets	-	-	(10,100)	-	-	-	-	-	-	-	-	-	(10,100)
Other non-current assets	-	-	-	-	-	-	-	-	-	-	(1,455)	-	(1,455)
Liquid funds and other listed investments	-	-	-	-	-	-	-	-	-	-	(1,580)	-	(1,580)
	-	46	(9,528)	197	(458)	(127)	(140)	71	(110)	1,522	(3,980)	(2)	(12,509)
<b>Current assets</b>													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	-	(1,362)	-	-	-	-	-	-	-	(1,140)	(76)	-	(2,578)
Inventories	-	(464)	-	-	-	-	-	-	-	-	4	-	(460)
	-	(1,826)	-	-	-	-	-	-	-	(1,140)	(72)	-	(3,038)
<b>Current liabilities</b>													
Trade and other payables	3,159	-	-	523	-	10	37	-	-	-	(2,088)	12	1,653
Current borrowings	-	-	-	-	-	-	-	-	-	-	15	-	15
Current tax payables	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,159	-	-	523	-	10	37	-	-	-	(2,073)	12	1,668
<b>Net current assets</b>	(3,159)	(1,826)	-	(523)	-	(10)	(37)	-	-	(1,140)	2,001	(12)	(4,706)
<b>Total assets less current liabilities</b>	(3,159)	(1,780)	(9,528)	(326)	(458)	(137)	(177)	71	(110)	382	(1,979)	(14)	(17,215)
<b>Non-current liabilities</b>													
Long term borrowings	5,429	-	-	-	-	-	-	-	-	-	(3,972)	-	1,457
Deferred tax liabilities	-	-	-	-	30	(17)	(203)	-	-	-	(27)	(1)	(218)
Pension obligations	-	-	-	-	-	-	1,042	-	-	-	-	-	1,042
Other non-current liabilities	-	-	-	-	-	-	-	-	-	662	2,811	-	3,473
	5,429	-	-	-	30	(17)	839	-	-	662	(1,188)	(1)	5,754
Minority interests	(18,663)	-	-	-	-	-	-	-	-	-	-	-	(18,663)
<b>Net assets</b>	10,075	(1,780)	(9,528)	(326)	(488)	(120)	(1,016)	71	(110)	(280)	(791)	(13)	(4,306)
<b>Capital and reserves</b>													
Share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	-	(1,695)	(8,983)	(319)	(460)	(69)	(970)	71	(93)	(277)	(691)	(14)	(13,500)
<b>Shareholders' funds</b>	-	(1,695)	(8,983)	(319)	(460)	(69)	(970)	71	(93)	(277)	(691)	(14)	(13,500)
Minority interests	10,075	(85)	(545)	(7)	(28)	(51)	(46)	-	(17)	(3)	(100)	1	9,194
<b>Total equity</b>	10,075	(1,780)	(9,528)	(326)	(488)	(120)	(1,016)	71	(110)	(280)	(791)	(13)	(4,306)

## 2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

The following sets out further information on the adoption of new and revised HKFRS accounting policies for the financial year beginning 1 January 2005 which have been reflected in these accounts. The financial impact is summarised in notes 2(a) and 2(b).

### (c) Share of profits less losses of associated companies and jointly controlled entities (HKAS 1, Presentation of financial statements)

In prior years, share of profits less losses of associated companies and jointly controlled entities were presented in the consolidated profit and loss account before the change in fair value of investment properties, interest expense and other finance costs, taxation and minority interests in the associated companies and jointly controlled entities. With effect from 1 January 2005, in accordance with Guidance on Implementing HKAS 1, the Group's share of the results of the associated companies and jointly controlled entities is presented after the change in fair value of investment properties, interest expense and other finance costs, taxation and minority interests in the associated companies and jointly controlled entities.

The presentation of share of profits less losses of associated companies and jointly controlled entities in the consolidated profit and loss account for the comparative year has been restated accordingly.

### (d) Minority interests and investment properties (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets, and minority interests in the results of the Group were presented in the consolidated profit and loss account separately as a deduction before arriving at the profit attributable to shareholders of the Company. With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit after taxation between the minority interests and the shareholders of the Company. The presentation of minority interests in the consolidated profit and loss account, consolidated balance sheet and consolidated statement of recognised income and expense for the comparative year has been restated accordingly.

In prior years, investment properties were presented as part of fixed assets in the consolidated balance sheet. With effect from 1 January 2005, in order to comply with HKAS 1, investment properties are presented on the face of the consolidated balance sheet. This change in presentation has been applied retrospectively.

### (e) Recognition of losses of handsets delivered to dealers (HKAS 2, Inventories)

In prior years, losses related to handsets delivered to dealers were deferred to match to the economic benefits arising from customer acquisition through the dealers. This deferral and matching treatment as prescribed under SSAP 22, Inventories has been eliminated by HKAS 2. With effect from 1 January 2005, in order to comply with HKAS 2, such losses are recognised when the handsets are delivered to dealers. This change in accounting policy has been applied retrospectively.

### (f) Deferred tax assets (HKAS 12, Income taxes)

The Group recognises deferred tax assets for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Because there is no quantification of likelihood provided in HKFRS on the term "probable" it is subject to a varying degree of interpretations. In prior years, probable was interpreted as a more-than-50% likelihood. On transition to HKFRS and on adoption of HKAS 12, the Group has adopted the current interpretation of probable which require a higher hurdle for the recognition of deferred tax assets for the carry forward of unused tax losses. This change in accounting policy has been applied retrospectively.

### (g) Site restoration cost (HKAS 16, Property, plant and equipment)

In accordance with HKAS 16 and its current interpretation, site restoration costs incurred as a consequence of acquiring or using the site are included in the cost of an asset. In prior years, such costs were accounted for to the extent it was recognised as a provision. This change in accounting policy has been applied retrospectively.

### (h) Hotel properties and golf courses (HK - INT 2, The appropriate policies for hotel properties)

Hotel properties and golf courses are accounted for at cost less accumulated depreciation. The depreciable amount of the hotel and golf course buildings are depreciated over their remaining useful life and, when the hotel property and golf course are located on leasehold land, the carrying amount of the leasehold land is amortised over the shorter of the remaining term of the lease and the remaining useful life. In prior years, hotel properties and golf courses with unexpired lease term of more than 20 years were accounted for at cost, and when the unexpired lease term was 20 years or less, depreciation was provided on the then carrying value over the remaining term of the lease. This change in accounting policy has been applied retrospectively.

### (i) Leasehold land prepayments (HKAS 17, Leases)

The adoption of HKAS 17, Leases has resulted in a change to the accounting policy relating to the reclassification of leasehold land separate from fixed assets to prepaid operating leases. The up-front prepayments made for the leasehold land are presented on the face of the balance sheet as leasehold land prepayments and expensed in the profit or loss on a straight-line basis over the period of the lease. In prior years, the leasehold land prepayments was accounted for at cost or valuation less accumulated depreciation. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the accounts. This change in accounting policy has been applied retrospectively.

## 2 Effect of the adoption of new and revised HKFRS accounting policies (continued)

### (j) Actuarial gains and losses (Amendment to HKAS 19, Employee benefits - actuarial gains and losses, group plans and disclosures)

Amendment to HKAS 19 provides an option of recognising actuarial gains and losses in full in the year in which they occur, outside profit or loss, in reserves. The Group has elected to take the option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the transitional unrecognised liabilities on initial adoption of SSAP 34, Employee benefits. In prior years, cumulative unrecognised net actuarial gains and losses, to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets, were recognised in the profit or loss over the average remaining service lives of employees. This change in accounting policy has been applied retrospectively.

### (k) Translation of goodwill relating to a net investment in a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate at each balance sheet date. The previous treatment of goodwill as a non-monetary item which was translated at historic exchange rate is not allowed by HKAS 21. This change in accounting policy has been applied retrospectively.

### (l) Recognition of losses of associated companies (HKAS 28, Investments in associates)

Share of loss of an associated company is recognised to the extent of the Group's interest in the associated company. The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term receivables and loans that, in substance, form part of the Group's net investment in the associated company. In prior years, the share of loss of an associated company is recognised to the extent of the carrying amount of the investment in the associated company under the equity method. This change in accounting policy has been applied retrospectively.

### (m) Telecommunications licences, other rights (HKAS 38, Intangible assets, HKAS 17 and HKAS 32, Financial instruments: disclosure and presentation)

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. The methods of payment for these rights vary from country to country and include fixed upfront payment and/or periodic payments comprising fixed and/or variable elements in subsequent years.

In prior years, fixed periodic payments made subsequent to the commercial launch of services were charged to the profit or loss as incurred. On transition to HKFRS the Group's listed associated company (formerly a subsidiary) Hutchison Telecommunications International ("HTIL") has adopted the current interpretation of HKAS 38 and HKAS 17 which considers telecommunications licences to be assets representing the right to provide a telecommunications service rather than a right to use an identifiable asset, being the radio spectrum allocated to HTIL under the terms of the licence. In measuring the asset, HTIL has applied HKAS 32 for recognition of the fixed periodic payments as these payments constitute a contractual obligation to deliver cash and hence are considered a financial liability. With effect from 1 January 2005, HTIL has changed its policy in accounting for Telecommunications licences whereby upfront payments made for acquiring the telecommunications spectrum licences plus capitalised present value of fixed periodic payments to be made in subsequent years, together with interest accrued prior to the date of first commercial usage of the spectrum, are capitalised and disclosed as non-current assets in the consolidated balance sheet. Telecommunications licences are amortised on a straight-line basis from the date of first commercial usage of the spectrum over the remaining licence period and are stated net of accumulated depreciation. Interest accrued on the present value of fixed periodic payments is charged to interest expense in the profit or loss after the commercial launch. Variable periodic payments made subsequent to the commercial launch of services continue to be recognised in the profit or loss as incurred. This change in accounting policy has been applied retrospectively.

On adoption of HKAS 38, certain other rights that were presented in prior years as part of other non-current assets in the consolidated balance sheet are presented within Brand names and other rights in the consolidated balance sheet with effect from 1 January 2005. This change in presentation has been applied retrospectively.

### (n) Financial instruments (HKAS 32 and HKAS 39, Financial instruments: recognition and measurement)

HKAS 32 prescribes disclosure requirements of financial instruments and these disclosure requirements have been applied, where applicable, retrospectively. HKAS 39 deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, does not require the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the fair value (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method. In prior years, borrowings and debt instruments were stated at the nominal principal balance and the initial transaction costs incurred were capitalised and included under other non-current assets. The transaction costs were amortised on a straight-line basis over the period of the borrowings.

The Group applied the SSAP 24, Accounting for investments in securities for the 2004 comparative information. No comparatives have been restated and the transitional reclassification adjustments are determined and recorded as at 1 January 2005 and new accounting policies and reclassification of the financial assets and liabilities resulting from the adoption of HKAS 39 are effective from 1 January 2005.

### (o) Employee share option scheme (HKFRS 2, Share-based payment)

The Company has no share option schemes. Certain of the Company's subsidiary companies and associated companies which have share option schemes recognise the fair value of share options granted to employees as an expense in the profit or loss and a corresponding increase in other reserves within equity. As a transitional provision, the cost of share options granted after 7 November 2002 and had not vested on 1 January 2005 was expensed retrospectively in the profit or loss of the respective years. In the prior years, the provision of share options to employees did not result in an expense in the profit or loss.

At the date of authorisation of these accounts, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital disclosures
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HKFRS Interpretation 4	Determining whether an arrangement contains a lease
HKFRS Interpretation 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HKFRS Interpretation 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment

Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKFRS 3 (Amendment)	Business combinations

The adoption of the above standards and interpretations in future periods is not expected to result in substantial changes to the Group's accounting policies.

## 3 Profit from Operations includes the followings:

	2005	2004
	HK\$ millions	K\$ millions
<b>Established businesses</b>		
Profit on disposal of subsidiaries	14,050	5,400
Profit on disposal of associated companies	3,699	13,759
Impairment loss	(2,032)	(791)
Others	-	813
<b>Telecommunications - 3 Group</b>		
Profit on elimination of minority interests	9,400	-
	<b>25,117</b>	<b>19,181</b>

Profit on disposal of subsidiaries for the year includes a profit of HK\$5,500 million arising from the disposal of a 20% interest in Hongkong International Terminals and a 10% interest in COSCO-HIT Terminals (Hong Kong), a profit of HK\$1,150 million from issuance of new Hutchison Telecommunications International Limited ("HTIL") shares to privatise Hutchison Global Communications Holdings Limited ("HGC") and a profit of HK\$7,400 million from the disposal of a 19.3% interest in HTIL.

Profit on disposal of associated companies of HK\$3,699 million relates to the disposal of a 49% interest in the Australian electricity distribution businesses.

The impairment loss relates to certain infrastructure operations and projects of Cheung Kong Infrastructure. The impairment loss was primarily made against fixed assets of HK\$769 million due to physical damage and technical obsolescence, against leasehold land prepayments, outside Hong Kong of HK\$21 million by references to the latest market transaction prices and against investments in associated companies and jointly controlled entities of HK\$1,116 million and other non-current assets of HK\$126 million due to lower projected revenue from certain projects and operations.

Profit on elimination of minority interests of HK\$9,400 million arises from the exercise of the right to purchase the minority shareholders' interests in Hutchison 3G UK Holdings at a substantial discount to their net asset value.

Profit on disposal of subsidiaries in 2004 included a profit of HK\$1,300 million from the disposal of 47.4% of HGC and a profit of HK\$4,100 million from the disposal of 29.8% in HTIL. Profit on disposal of associated companies in 2004 represented the profit arising from the disposal of Procter & Gamble-Hutchison. The impairment loss recognised in 2004 represents a write-off of the Group's premium on acquisition of certain infrastructure joint ventures in the Mainland. Others in 2004 represents a reversal of provisions previously made against equity securities.

#### **4 Earnings per share**

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK\$14,343 million (2004 - HK\$12,978 million) and on 4,263,370,780 shares in issue during 2005. (2004 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options and convertible debts outstanding as at 31 December 2005. The employee share options and convertible debts of these subsidiary and associated companies outstanding as at 31 December 2005 did not have any dilutive effect on earnings per share.