

Report of the Auditors

TO THE SHAREHOLDERS OF THE WHARF (HOLDINGS) LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the accounts on pages 70 to 117 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, March 15, 2005

Consolidated Profit and Loss Account

For The Year Ended December 31, 2004

	Note	2004 HK\$ Million	2003 HK\$ Million
Turnover	2	11,953	11,253
Other net income	4	15	33
		11,968	11,286
Direct costs and operating expenses		(4,204)	(3,910)
Selling and marketing expenses		(577)	(519)
Administrative and corporate expenses		(534)	(515)
Operating profit before depreciation, amortisation, interest and tax		6,653	6,342
Depreciation and amortisation		(1,401)	(1,292)
Operating profit	2 & 3	5,252	5,050
Borrowing costs	5	(239)	(480)
Net other charges	6	(190)	(107)
Share of profits less losses of associates	7	748	292
Share of losses of a jointly controlled entity		(2)	—
Profit before taxation		5,569	4,755
Taxation	8(d)	(953)	(952)
Profit after taxation		4,616	3,803
Minority interests		(849)	(760)
Profit attributable to shareholders	9	3,767	3,043
Dividends attributable to the year	10		
Interim dividend declared during the year		802	802
Final dividend proposed after the balance sheet date		881	685
		1,683	1,487
Earnings per share	11		
Basic		HK\$1.54	HK\$1.24
Diluted		HK\$1.54	HK\$1.24

The notes on pages 76 to 117 form part of these accounts.

Consolidated Balance Sheet

At December 31, 2004

	Note	2004 HK\$ Million	2003 HK\$ Million
Non-current assets			
Fixed assets			
Investment properties		66,007	54,580
Other properties, plant and equipment		16,136	16,540
		82,143	71,120
Goodwill	12	297	347
Long term deposit	14	156	156
Interest in associates	15	1,583	2,075
Interest in a jointly controlled entity	16	348	—
Long term investments	17	1,654	1,392
Deferred debtors	18	426	439
Deferred items	19	402	432
Deferred tax assets	20	118	112
	28(a)	87,127	76,073
Current assets			
Inventories	21	3,025	2,695
Trade and other receivables	22	1,248	882
Deposits and cash		2,209	1,512
		6,482	5,089
Current liabilities			
Trade and other payables	23	(4,618)	(4,193)
Short term loans and overdrafts	24	(3,236)	(6,329)
Taxation payable	8(f)	(750)	(638)
		(8,604)	(11,160)
Net current liabilities			
		(2,122)	(6,071)
Total assets less current liabilities			
		85,005	70,002
Capital and reserves			
Share capital	25	2,447	2,447
Reserves	26(a)	62,721	49,181
Shareholders' equity			
		65,168	51,628
Minority interests			
		4,355	4,021
Non-current liabilities			
Long term loans	27	13,206	12,345
Deferred taxation	28(a)	2,019	1,748
Other deferred liabilities	29	257	260
		15,482	14,353
Total equity and non-current liabilities			
		85,005	70,002

The notes on pages 76 to 117 form part of these accounts.

Peter K C Woo
Chairman

Quinn Y K Law
Director

Company Balance Sheet

At December 31, 2004

	Note	2004 HK\$ Million	2003 HK\$ Million
Non-current assets			
Investments in subsidiaries	13	13,829	13,656
Deferred debtors	19	382	382
		14,211	14,038
Current assets			
Trade and other receivables	22	1	—
Deposits and cash		1	2
		2	2
Current liabilities			
Trade and other payables	23	(20)	(29)
Short term loans and overdrafts	24	(190)	—
Taxation payable		—	(8)
		(210)	(37)
Net current liabilities			
		(208)	(35)
Total assets less current liabilities			
		14,003	14,003
Capital and reserves			
Share capital	25	2,447	2,447
Reserves	26(b)	11,556	11,556
Total equity			
		14,003	14,003

The notes on pages 76 to 117 form part of these accounts.

Peter K C Woo
Chairman

Quinn Y K Law
Director

Consolidated Statement of Changes in Equity

For The Year Ended December 31, 2004

	Note	2004 HK\$ Million	2003 HK\$ Million
Total equity as at January 1		51,628	47,734
Surplus on revaluation of investment properties	26	10,900	2,133
Surplus on revaluation of hotel and club properties	26	283	68
Deferred tax on revaluation of certain investment properties	26	(139)	(33)
Impairment of properties under or held for redevelopment	26	—	(315)
Surplus on revaluation of non-trading investments			
— by Company/subsidiaries	26	232	412
— by associates and jointly controlled entity	26	1	1
Others	26	5	25
Net gains not recognised in the consolidated profit and loss account		11,282	2,291
Profit attributable to shareholders		3,767	3,043
Investments revaluation reserves transferred to the profit and loss account on impairment in value of non-trading investments			
— by Company/subsidiaries	26	—	33
Investments revaluation reserves transferred to the profit and loss account on disposal of non-trading investments			
— by Company/subsidiaries	4 & 26	(22)	13
— by associates and jointly controlled entity	26	—	1
Final dividend approved in respect of the previous year	10(a) & 26	(685)	(685)
Interim dividend approved in respect of the current year	10(a) & 26	(802)	(802)
		2,258	1,603
Total equity as at December 31		65,168	51,628

The notes on pages 76 to 117 form part of these accounts.

Consolidated Cash Flow Statement

For The Year Ended December 31, 2004

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Cash generated from operations (Note)	6,288	6,219
Interest paid	(263)	(574)
Interest received	43	161
Dividends received from associates	146	12
Dividends received from listed and unlisted investments	160	123
Hong Kong profits tax paid	(704)	(579)
Overseas tax paid	—	(4)
Net cash from operating activities	5,670	5,358
Investing activities		
Purchase of fixed assets	(1,346)	(1,564)
Additions to programming library	(78)	(82)
Purchase of a subsidiary	—	(6)
Net decrease/(increase) in investments in associates	3	(124)
Investment in a jointly controlled entity	(350)	—
Purchase of non-trading investments	(18)	(54)
Proceeds on disposal of fixed assets	22	19
Proceeds from sale of an associate	15	—
Uplift of short term deposits	—	468
Uplift of pledged deposits	—	293
Net repayment from associates	1,102	1,756
Proceeds from sale of non-trading investments	78	333
Repayment from deferred debtors	19	14
Net cash (used in)/generated from investing activities	(553)	1,053
Financing activities		
Net drawdown of long term loans	1,161	382
Net repayment of short term loans and overdrafts	(3,393)	(4,361)
Advances to minority interests	(3)	(10)
Dividends paid	(1,487)	(979)
Dividends paid to minority shareholders	(698)	(688)
Net cash used in financing activities	(4,420)	(5,656)
Increase in cash and cash equivalents	697	755
Cash and cash equivalents at January 1	1,512	757
Cash and cash equivalents at December 31	2,209	1,512
Analysis of the balance of cash and cash equivalents		
Deposits and cash	2,209	1,512

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**Reconciliation of operating profit to cash generated from operations**

	2004	2003
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Operating profit	5,252	5,050
Interest income	(42)	(131)
Dividends receivable from listed and unlisted investments	(160)	(123)
Depreciation	1,228	1,117
Amortisation	173	175
Loss on disposal of fixed assets	27	12
Other net income	(15)	(33)
(Increase)/decrease in properties under development for sale	(231)	78
Decrease in properties held for sale	10	50
(Increase)/decrease in spare parts and consumables	(7)	3
Decrease in investments in listed debt securities	—	525
(Increase)/decrease in trade and other receivables	(367)	131
Increase/(decrease) in trade and other payables	438	(633)
Increase in deferred items	(15)	(1)
Decrease in other deferred liabilities	(3)	(1)
Cash generated from operations	6,288	6,219

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

b. Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and hotel and club properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

c. Basis of consolidation

i. *Subsidiaries and controlled companies*

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1 (f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities.

ii. *Associates and jointly controlled entity*

An associate is a company in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

c. Basis of consolidation (continued)

ii. *Associates and jointly controlled entity (continued)*

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case it is stated at fair value with changes in fair value recognised in the same way as for investments in securities (see note 1(g)). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates and jointly controlled entity for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii). When the group's share of losses exceeds the carrying amount of the associate and jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate and jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entity are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

iii. *Goodwill/negative goodwill*

The Group adopted Statement of Standard Accounting Practice 30 "Business combinations" ("SSAP 30") issued by Hong Kong Institute of Certified Public Accountants with effect from January 1, 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to January 1, 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions of a subsidiary, an associate or a jointly controlled entity after January 1, 2001, goodwill is recognised as an asset and is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

Notes to the Accounts *(continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

c. Basis of consolidation *(continued)*

iii. *Goodwill/negative goodwill (continued)*

On disposal of a controlled subsidiary, an associate or a jointly controlled entity, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit and loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the consolidated profit and loss account.

d. Fixed assets

i. *Investment properties*

Investment properties are defined as properties which are income producing and intended to be held for the long term. Such properties are included in the balance sheet at their open market value, which is assessed annually by external qualified valuers. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the consolidated profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the consolidated profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the consolidated profit and loss account. On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment properties revaluation reserves is included in calculating the profit or loss on disposal. Investment properties with an unexpired lease term of 20 years or less and where the likelihood of renewal of such lease is not probable, are stated at carrying value less accumulated depreciation and provision for impairment loss.

ii. *Properties under or held for redevelopment*

Properties under or held for redevelopment for investment purposes are stated at cost, including borrowing costs, or at carrying value less provision for impairment loss. These properties are reclassified as investment properties upon issue of the occupation permit.

All development costs, including borrowing costs, are capitalised up to the date of practical completion.

iii. *Hotel and club properties*

Hotel and club properties are stated at their open market value based on an annual professional valuation. Changes in the value of hotel and club properties are dealt with as movements in the other properties revaluation reserves. When a deficit arises on revaluation, it will be charged to the consolidated profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of that same property. When a surplus arises on subsequent revaluation, it will be credited to the consolidated profit and loss account, if and to the extent that a deficit on revaluation in respect of that same property had previously been charged to the consolidated profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

d. Fixed assets (continued)

iv. *Broadcasting and communications equipment*

Broadcasting and communications equipment is stated at cost less accumulated depreciation and provision for impairment loss. Cost includes materials, labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

v. *Other properties and fixed assets held for own use*

Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and provision for impairment loss.

vi. Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

vii. Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of fixed assets other than investment properties, any related revaluation surplus is transferred from the revaluation reserve to revenue reserves.

e. Depreciation of fixed assets

i. *Investment properties*

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each building at the date of valuation. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of investment properties with an unexpired lease term of 20 years or less and where the likelihood of renewal of such lease is not probable, is depreciated on a straight line basis over the remaining term of the lease.

ii. *Properties under or held for redevelopment*

No depreciation is provided on properties under or held for redevelopment.

iii. *Hotel and club properties*

No depreciation is provided on hotel and club properties on leases with 20 years or more to run at the balance sheet date or on their integral fixed plant. It is the Group's practice to maintain these assets in a continuous state of sound repair and to make improvements thereto from time to time and, accordingly, the Directors consider that, given the estimated lives of these assets and their residual values, any depreciation would be immaterial. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of hotel and club properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining term of the lease.

Notes to the Accounts *(continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

e. Depreciation of fixed assets *(continued)*

iv. *Broadcasting and communications equipment*

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of two to 20 years.

v. *Other properties and fixed assets held for own use*

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their estimated useful lives of 40 years.

Depreciation is provided on a straight line basis on the cost of other fixed assets held for own use at rates determined by the estimated useful lives of these assets of three to 25 years.

f. Impairment of assets

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the consolidated profit and loss account.

i. *Recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use.

ii. *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

g. Investments in securities

- i. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the consolidated profit and loss account for each security individually.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

g. Investments in securities (continued)

- ii. Non-trading investments, other than held-to-maturity securities, are stated in the balance sheet at fair value. Changes in fair value are recognised in the investments revaluation reserves until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investments revaluation reserves to the consolidated profit and loss account.

Transfers from the investments revaluation reserves to the consolidated profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading investments are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are recognised in the consolidated profit and loss account as they arise. On disposal of non-trading investments, the revaluation surplus or deficit previously taken to the investments revaluation reserves is also transferred to the consolidated profit and loss account for the year.

- iii. Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.

h. Deferred items

i. *Prepaid revenue expenses*

Prepaid revenue expenses represent prepaid expenditure attributable to periods after more than one year.

ii. *Programming library*

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the television channels, and commissioned programmes for licensing purposes.

Presentation rights are stated in the balance sheet at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred. Costs of in-house programmes are written off in the period in which they are incurred.

Commissioned programmes for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

i. Inventories

i. *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

Notes to the Accounts *(continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

i. Inventories *(continued)*

i. *Properties held for sale (continued)*

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

ii. *Properties under development for sale*

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes the aggregate costs of development, borrowing costs capitalised and other direct expenses plus attributable profit, less pre-sales proceeds. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

Pre-sale proceeds received and receivable from the purchasers of the properties under development for sale are set off against inventories in the balance sheet. Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total estimated sales.

Borrowing costs relating to properties under development for sale are capitalised up to the date of practical completion.

iii. *Spare parts and consumables*

Spare parts and consumables are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location. Net realisable value is determined by the Directors, based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

j. Cash and cash equivalents

The Group defines cash and cash equivalents as cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

k. Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Differences arising from the translation of the accounts of overseas subsidiaries are dealt with in capital reserves and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated profit and loss account. On disposal of an overseas subsidiary, the cumulative amount of the exchange differences which relate to that overseas subsidiary is included in the calculation of the profit or loss on disposal.

Forward foreign exchange contracts and swaps entered into as hedges against foreign currency assets and liabilities are revalued at the balance sheet date at the exchange rates ruling at that date. Realised gains and losses on currency hedging transactions are offset against gains and losses resulting from currency fluctuations inherent in the underlying foreign currency assets and liabilities. Unrealised gains and losses on foreign exchange rate contracts and swaps designated as hedges are included under the same classification as the assets and liabilities which they hedge. Gains and losses on foreign exchange contracts and swaps not entered into for hedging purposes are dealt with in the consolidated profit and loss account.

l. Recognition of revenue

- i Rental income under operating leases is recognised in the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- ii. Income from sale of completed property is recognised upon completion of the sales agreements.
- iii. Income from pre-sale of properties under development is recognised by reference to the stage of completion over the course of development (see note 1 (i) (ii)).
- iv. Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.
- v. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

- vi. Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

Notes to the Accounts *(continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

I. Recognition of revenue *(continued)*

vii. Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

viii. *Deferred revenue*

Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

m. Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

n. Income tax

- i. Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- ii. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- iii. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

n. Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

iv. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

o. Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

p. Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Notes to the Accounts *(continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

p. Provisions *(continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q. Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

r. Employee benefits

i. *The Group operates the following principal pension schemes*

Defined contribution pension schemes

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Mandatory provident funds

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the consolidated profit and loss account when incurred.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

r. Employee benefits (continued)

Defined benefit pension schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated profit and loss account.

In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

ii. *Equity compensation benefits*

When the Group grants employees options to acquire shares of the Company pursuant to the terms of the Company's Executive Share Incentive Scheme, no cost or obligation is recognised at the date of grant.

When the options are exercised, shareholders' equity is increased by the amount of the proceeds received.

iii. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the Accounts (continued)

2. SEGMENT INFORMATION

a. Business segments

i. Revenue and results	Segment revenue		Segment results	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
Property investment	4,645	4,275	3,103	2,901
Hong Kong	3,688	3,552	2,793	2,745
China	227	190	58	51
Hotels	730	533	252	105
Communications, media and entertainment ("CME")	3,844	3,578	456	432
Pay television	1,888	1,734	469	444
Internet and multimedia	481	409	(44)	(85)
i-CABLE (before unallocated items)	2,369	2,143	425	359
Telecommunications	1,286	1,253	26	35
Others	189	182	5	38
Logistics	3,347	3,221	1,840	1,827
Terminals	2,964	2,868	1,715	1,735
Other logistics business	383	353	125	92
	11,836	11,074	5,399	5,160
Property development	193	189	—	(17)
Investment and others	175	251	75	163
Inter-segment revenue (Note)	(251)	(261)	—	—
	11,953	11,253	5,474	5,306
Unallocated income and expenses			(222)	(256)
Operating profit			5,252	5,050
Borrowing costs			(239)	(480)
Net other charges				
Telecommunications			(298)	(85)
Property development			108	(276)
Investment and others			—	254
Associates				
Property development			649	255
Terminals			98	27
Investment and others			1	10
Jointly controlled entity				
Terminals			(2)	—
Profit before taxation			5,569	4,755

Property investment includes gross rental income from investment properties of HK\$3,033 million (2003:HK\$2,836 million).

2. SEGMENT INFORMATION (continued)

a. Business segments (continued)

Note: Inter-segment revenue eliminated on consolidation includes:

	2004 HK\$ Million	2003 HK\$ Million
Property investment	80	91
CME	168	161
Logistics	2	7
Investment and others	1	2
	251	261

ii. Assets and liabilities	Assets		Liabilities	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
Property investment	72,732	61,104	3,823	2,833
Hong Kong	63,457	52,552	1,632	1,654
China	5,346	4,997	2,066	1,067
Hotels	3,929	3,555	125	112
CME	5,511	5,909	1,174	1,218
Pay television	1,578	1,617	527	539
Internet and multimedia	804	881	152	182
i-CABLE	2,382	2,498	679	721
Telecommunications	3,047	3,340	453	465
Others	82	71	42	32
Logistics	6,713	6,002	2,630	1,962
Terminals	6,531	5,813	2,584	1,927
Other logistics business	182	189	46	35
	84,956	73,015	7,627	6,013
Property development	4,236	4,499	198	183
Unallocated	4,417	3,648	16,261	19,317
Total assets/liabilities	93,609	81,162	24,086	25,513

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

Included in the property development segment is the portion of the Group's interest in associates attributable to property development which totals HK\$1,237 million (2003:HK\$1,815 million).

Notes to the Accounts (continued)

2. SEGMENT INFORMATION (continued)

a. Business segments (continued)

iii. Other information	Capital expenditure		Depreciation and amortisation	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
Property investment	387	176	143	99
Hong Kong	181	131	92	53
China	164	31	16	15
Hotels	42	14	35	31
CME	834	1,054	994	973
Pay television	308	333	364	384
Internet and multimedia	183	174	247	244
i-CABLE	491	507	611	628
Telecommunications	309	517	354	338
Others	34	30	29	7
Logistics	575	446	264	220
Terminals	571	441	249	201
Other logistics business	4	5	15	19
Total capital expenditure/depreciation and amortisation	1,796	1,676	1,401	1,292

The Group has no significant non-cash expenses other than depreciation and amortisation.

b. Geographical segment

During the year, more than 90 per cent of the Group's revenue and operating results arose in Hong Kong and more than 90 per cent of the Group's assets and liabilities were located in Hong Kong.

3. OPERATING PROFIT

a. Operating profit is arrived at after charging:

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Depreciation		
— assets held for use under operating leases	163	85
— other fixed assets	1,065	1,032
	1,228	1,117
Amortisation of prepaid expenses and programming library	123	125
Amortisation of goodwill	50	50
Total depreciation and amortisation	1,401	1,292
Staff costs	2,145	1,999
including:		
Contributions to defined contribution pension schemes including MPF schemes	69	68
Increase in liability for defined benefit pension schemes (Note 30)	21	36
Auditors' remuneration		
Audit services	9	9
Other services	1	1
Cost of properties sold during the year	175	176
Loss on disposal of fixed assets	27	12
And crediting:		
Rental income less direct outgoings	3,092	2,930
including:		
Contingent rentals	190	104
Interest income	42	131
Dividend income from listed investments	53	47
Dividend income from unlisted investments	107	76

b. Directors' emoluments

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Fees	1	1
Basic salaries, housing and other allowances, and benefits in kind	29	28
Deemed profit on share option exercise	—	—
Contributions to pension schemes	1	1
Discretionary bonuses and/or performance related bonuses	27	16
Compensation for loss of office	—	—
Inducement for joining the Group	—	—
	58	46

Notes to the Accounts (continued)

3. OPERATING PROFIT (continued)**b. Directors' emoluments (continued)**

Included in the above bonus amount for 2004 is a payment of HK\$10 million awarded to a director relating to his service performance for the past 3-year period.

In 2004, total emoluments (including any reimbursement of expenses), being wholly in the form of Directors' fees, were paid/payable at the rate of HK\$35,000 (2003:HK\$35,000) per annum to each Independent Non-executive Director of the Company.

The emoluments in respect of the year ended December 31, 2004 of all the Directors of the Company in office during the year were in the following ranges:—

Bands (in HK\$)	2004 <i>Number</i>	2003 <i>Number</i>
Not more than \$1,000,000	8	9
\$2,000,001 — \$2,500,000	1	1
\$2,500,001 — \$3,000,000	1	2
\$3,500,001 — \$4,000,000	1	—
\$4,000,001 — \$4,500,000	1	—
\$5,000,001 — \$5,500,000	—	1
\$5,500,001 — \$6,000,000	—	1
\$6,500,001 — \$7,000,000	1	1
\$8,000,001 — \$8,500,000	—	1
\$9,000,001 — \$9,500,000	1	—
\$11,000,001 — \$11,500,000	—	1
\$12,500,001 — \$13,000,000	1	—
\$15,500,001 — \$16,000,000	1	—
	16	17

c. Emoluments of the highest paid employees

For the year ended December 31, 2004, the top five highest paid individuals are also Directors of the Group and the analyses of their emoluments have been set out in Note 3b above.

4. OTHER NET INCOME

Other net income represents net profit on disposal of investments and includes a revaluation surplus of HK\$22 million (2003: deficit of HK\$13 million) transferred from the investments revaluation reserves.

5. BORROWING COSTS

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Interest on:		
Bank loans and overdrafts	90	233
Other loans repayable within five years	106	202
Other loans repayable over five years	9	—
Other borrowing costs	59	99
	264	534
Less: Amount capitalised*	(25)	(54)
Net borrowing costs for the year	239	480

* The borrowing costs have been capitalised at annual rates of between 1.2% to 2.8% (2003:1.7% to 3.5%).

6. NET OTHER CHARGES

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Net write back of/(provisions for) diminution in value of properties held for development and for sale	108	(276)
Net provisions for impairment in value of non-trading investments	—	(58)
Impairment of broadcasting and communications equipment	(298)	(85)
Deemed profit on distribution of i-CABLE shares	—	312
	(190)	(107)

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates mainly comprises attributable profits arising on disposal of Sorrento and Bellagio residential units and terminal operations. The share of profit for the year also includes an attributable write-back of provisions totalling HK\$442 million previously made for diminution in value of Bellagio residential units, based on the current achieved average selling price and prevailing residential property market conditions.

8. TAXATION

- a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2003:17.5%).
- b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

Notes to the Accounts (continued)

8. TAXATION (continued)

- c. Tax underprovision in respect of prior years is principally attributable to the deductibility of certain interest expenses was under dispute with the Inland Revenue Department.
- d. Taxation in the consolidated profit and loss account represents:—

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Current tax		
Hong Kong profits tax	702	760
Underprovision in respect of prior years (note c)	122	64
	824	824
Overseas taxation	1	17
Overprovision in respect of prior years	(9)	—
	816	841
Deferred tax		
Origination and reversal of temporary differences	125	(6)
Effect of increase in tax rate on deferred tax	—	99
	125	93
	941	934
Share of associates' Hong Kong profits tax	12	18
	953	952

e. Reconciliation between the actual total tax charge and accounting profit at applicable tax rates

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Profit before taxation	5,569	4,755
Notional tax on accounting profit calculated at applicable tax rates	977	829
Tax effect of non-deductible expenses	108	129
Tax effect of non-taxable revenue	(73)	(117)
Net underprovision in respect of prior years	113	64
Tax effect of tax losses not recognised	59	114
Tax losses utilised	(231)	(166)
Effect of change in tax rate on deferred tax balances	—	99
Actual total tax charge	953	952

- f. None of the taxation payable in the balance sheet is expected to be settled after more than one year.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$1,487 million (2003:HK\$2,486 million).

10. DIVIDENDS

a. Dividends attributable to the year

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Interim dividend declared and paid of 32.75 cents (2003:12 cents) per share	802	294
Distribution in specie in the form of shares in i-CABLE Communications Limited ("i-CABLE Shares") equivalent to 20.75 cents per share	—	508
Total interim dividend	802	802
Final dividend of 36 cents (2003:28 cents) per share proposed after the balance sheet date	881	685
	1,683	1,487

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

b. Dividends attributable to the previous financial year, approved and paid during the year

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of 28 cents (2003:28 cents) per share	685	685

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings for the year of HK\$3,767 million (2003:HK\$3,043 million) and the weighted average of 2,447 million ordinary shares (2003:2,447 million ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on earnings for the year of HK\$3,767 million (2003:HK\$3,043 million) and the weighted average of 2,447 million ordinary shares (2003:2,447 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

The existence of unexercised options during the year ended December 31, 2004 (see Note 25) has no dilutive effect on the calculation of diluted earnings per share for the year ended December 31, 2004.

Notes to the Accounts (continued)

12. FIXED ASSETS

	Group					Total HK\$ Million
	Investment properties HK\$ Million	Properties under or held for redevelop- ment HK\$ Million	Hotel and club properties HK\$ Million	Broadcasting & commun- ications equipment HK\$ Million	Other properties and fixed assets HK\$ Million	
a. Cost or valuation						
Balance at January 1, 2004	54,580	2,812	3,409	8,784	9,858	79,443
Additions	92	313	14	601	348	1,368
Disposals	(40)	—	—	(304)	(122)	(466)
Reclassification	475	(902)	—	(10)	427	(10)
Revaluation surpluses/(deficits)	10,939	(52)	339	—	—	11,226
Balance at December 31, 2004	66,046	2,171	3,762	9,071	10,511	91,561
Accumulated depreciation and impairment losses						
Balance at January 1, 2004	—	—	—	4,064	4,259	8,323
Charge for the year	39	—	12	727	450	1,228
Impairment	—	—	—	298	—	298
Written back on disposals	—	—	—	(296)	(121)	(417)
Reclassification	—	—	—	(2)	—	(2)
Revaluation adjustments	—	—	(12)	—	—	(12)
Balance at December 31, 2004	39	—	—	4,791	4,588	9,418
Net book value						
At December 31, 2004	66,007	2,171	3,762	4,280	5,923	82,143
At December 31, 2003	54,580	2,812	3,409	4,720	5,599	71,120

b. The analysis of cost or valuation of the above assets is as follows:—

2004 valuation	66,046	—	3,762	—	—	69,808
Cost less provisions	—	2,171	—	9,071	10,511	21,753
	66,046	2,171	3,762	9,071	10,511	91,561

If the hotel and club properties had not been revalued, the carrying value of these assets on the basis of cost less accumulated depreciation would be HK\$280 million.

12. FIXED ASSETS (continued)

	Group					Total HK\$ Million
	Investment properties HK\$ Million	Properties under or held for redevelop- ment HK\$ Million	Hotel and club properties HK\$ Million	Broadcasting & commun- ications equipment HK\$ Million	Other properties and fixed assets HK\$ Million	
c. Tenure of title to properties (at cost or valuation):—						
Held in Hong Kong						
Long lease	51,122	58	3,740	—	3	54,923
Medium lease	8,524	1,287	—	—	5,433	15,244
Short lease	1,775	—	22	—	1	1,798
	61,421	1,345	3,762	—	5,437	71,965
Held outside Hong Kong						
Freehold	20	—	—	—	—	20
Long lease	—	—	—	—	5	5
Medium lease	4,605	826	—	—	5	5,436
	66,046	2,171	3,762	—	5,447	77,426

d. Properties revaluation

The Group's investment properties together with its hotel and club properties have been revalued as at December 31, 2004 by Chesterton Petty Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income allowing for reversionary potential.

The surplus or deficit arising on revaluation less minority interests is dealt with in investment properties revaluation reserves and other properties revaluation reserves.

e. Impairment of fixed assets

The value of properties, other than investment properties and hotel and club properties which are revalued annually, is assessed at each balance sheet date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. As a consequence of this exercise, at December 31, 2004 revaluation deficits totalled HK\$52 million (2003:HK\$523 million) of which HK\$39 million (2003:HK\$208 million) were recognised in the consolidated profit and loss account.

f. The gross amounts of fixed assets of the Group held for use in operating leases were HK\$67,100 million (2003:HK\$55,727 million).

g. The Group leases out properties under operating leases, which generally run for an initial period of two to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

Notes to the Accounts (continued)

12. FIXED ASSETS (continued)

h. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:—

	Group	
	2004 HK\$ Million	2003 HK\$ Million
Within 1 year	3,066	2,878
After 1 year but within 5 years	3,433	2,994
After 5 years	107	135
	6,606	6,007

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$ Million	2003 HK\$ Million
Unlisted shares, at cost less provision	6,670	6,458
Amounts due from subsidiaries	31,621	31,236
	38,291	37,694
Amounts due to subsidiaries	(24,462)	(24,038)
	13,829	13,656

Details of principal subsidiaries at December 31, 2004 are shown on pages 115 to 117.

Amounts due from and to subsidiaries are unsecured, non-interest bearing and classified as non-current as these are not expected to be recoverable/payable within the next twelve months.

14. GOODWILL

	Group	
	2004 HK\$ Million	2003 HK\$ Million
Cost		
Balance at January 1 and December 31	441	441
Accumulated amortisation		
Balance at January 1	(94)	(44)
Charge for the year	(50)	(50)
Balance at December 31	(144)	(94)
Carrying amount		
Balance at December 31	297	347

15. LONG TERM DEPOSIT

The Group has placed a deposit with a financial institution maturing in 2006 at a margin above market rates. The deposit is credit-linked to investment grade debt securities, either issued by the Group or other corporations.

16. INTEREST IN ASSOCIATES

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Share of net tangible assets/(liabilities)	27	(583)
Amounts due from associates	1,621	2,720
Amounts due to associates	(65)	(62)
	1,583	2,075

Details of principal associates at December 31, 2004 are shown on page 117.

Amounts due from and to associates are classified as non-current as these are not expected to be recoverable/payable within the next twelve months.

Included in the amounts due from associates are loans totalling HK\$1,494 million (2003:HK\$2,588 million) advanced to certain associates involved in the Sorrento and Bellagio property developments projects, of which HK\$74 million (2003:HK\$733 million) is interest bearing and HK\$1,420 million (2003:HK\$1,855 million) is interest-free. The annual interest rates are determined by the shareholders of the associates with reference to prevailing market rates which were between 0.6% and 1.3% for the current year (2003:0.8% to 2.5%). The loans are unsecured and are repayable as may from time to time be agreed among the shareholders.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Share of net assets	294	—
Goodwill	54	—
	348	—

Details of the Group's interest in a jointly controlled entity are as follows:—

Name of jointly controlled entity	Place of incorporation	Registered and paid up capital	Percentage of equity attributable to the Group	Principal activity
Taicang International Container Terminals Company Limited	The People's Republic of China	RMB450,800,000	28	Container terminal operations

Notes to the Accounts (continued)

17. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Taicang International Container Terminals Company Limited ("TICT JV"), a Sino-foreign joint venture enterprise established with the approval of the Jiang Su Provincial People's Government for a period of 50 years up to 2048, is 51% owned by Modern Terminals Limited, a 55.3% owned subsidiary of the Group.

Notwithstanding the contribution of 51% of the registered capital by Modern Terminals Limited, the joint venture agreement relating to the establishment of TICT JV stipulates that all significant financial and operating decisions of TICT JV must be approved by all of its directors. As neither the Group nor the joint venture partner have the ability to control the board of directors of TICT JV and the economic activities of TICT JV, the Group accounts for its investment in TICT JV as a jointly controlled entity.

18. LONG TERM INVESTMENTS

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Non-trading investments		
Equity securities		
Listed in Hong Kong	695	761
Listed outside Hong Kong	868	548
	1,563	1,309
Unlisted	91	83
	1,654	1,392
Market value of listed securities	1,563	1,309

19. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

20. DEFERRED ITEMS

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Prepaid revenue expenses	244	275
Defined benefit pension scheme assets (Note 30)	31	15
Programming library	127	142
	402	432

21. INVENTORIES

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Properties under development for sale, less pre-sale proceeds received and receivable	2,238	2,075
Properties held for sale	677	514
Spare parts and consumables	110	106
	3,025	2,695

- a. The properties under development for sale are expected to be substantially completed and recovered after more than one year.
- b. Properties under development for sale/held for sale are stated at lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at December 31, 2004 was HK\$1,288 million (2003:HK\$831 million).
- c. In 2004, provisions totalling HK\$166 million (2003:HK\$Nil) charged to the profit and loss account in prior years for properties under development for sale/held for sale were written back as a result of the increase in net realisable value of certain properties.

22. TRADE AND OTHER RECEIVABLES

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at December 31, 2004 as follows:—

	Group		Company	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
0 — 30 days	159	355	—	—
31 — 60 days	328	154	—	—
61 — 90 days	124	60	—	—
Over 90 days	32	64	—	—
	643	633	—	—

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are receivable upon completion of the properties under development.

Notes to the Accounts (continued)

23. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at December 31, 2004 as follows:—

	Group		Company	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
0 — 30 days	229	284	—	—
31 — 60 days	132	66	—	—
61 — 90 days	93	54	—	—
Over 90 days	193	198	—	—
	647	602	—	—

24. SHORT TERM LOANS AND OVERDRAFTS

	Group		Company	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
HK dollar fixed rate notes	300	800	—	—
US dollar fixed rate notes	—	1,468	—	—
Medium term note programme	—	180	—	—
Unsecured bank loans and overdrafts	2,936	3,881	190	—
	3,236	6,329	190	—

25. SHARE CAPITAL

	2004	2003	2004	2003
	No. of shares Million	No. of shares Million	HK\$ Million	HK\$ Million
Authorised				
Ordinary shares of HK\$1 each	3,600	3,600	3,600	3,600
Issued and fully paid				
Ordinary shares of HK\$1 each	2,447	2,447	2,447	2,447

Executive share incentive scheme

As at December 31, 2004, options to subscribe for 0.4 million (2003:0.4 million) ordinary shares of the Company at a price of HK\$25.0 (2003:HK\$25.0) per share granted to a number of executives under the Company's executive share incentive scheme were unexercised. These options are exercisable before July 31, 2006.

During the year, no options were exercised or lapsed (2003:options for 2,151,000 ordinary shares of HK\$1.00 each exercisable at a consideration of between HK\$19.0 and HK\$25.0 per share lapsed) (Note 31).

26. RESERVES

	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group							
i. Company and subsidiaries							
Balance at January 1, 2003	7,742	7	30,009	(229)	(482)	9,205	46,252
Revaluation surplus							
— investment properties	—	—	2,133	—	—	—	2,133
— other properties	—	—	—	—	68	—	68
— non-trading investments	—	—	—	412	—	—	412
Transferred to the profit and loss account on disposal of non-trading investments	—	—	—	13	—	—	13
Transferred to the profit and loss account on impairment of non- trading investments	—	—	—	33	—	—	33
Deferred tax on revaluation of certain investment properties	—	—	(33)	—	—	—	(33)
Impairment of properties under or held for redevelopment	—	—	—	—	(315)	—	(315)
Profit for the year	—	—	—	—	—	2,769	2,769
Dividends approved in respect of the previous year (Note 10b)	—	—	—	—	—	(685)	(685)
Dividends declared in respect of the current year (Note 10a)	—	—	—	—	—	(802)	(802)
Others	—	—	—	—	43	(18)	25
Balance at December 31, 2003	7,742	7	32,109	229	(686)	10,469	49,870

Notes to the Accounts (continued)

26. RESERVES (continued)

	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group (continued)							
i. Company and subsidiaries (continued)							
Balance at December 31, 2003 and January 1, 2004	7,742	7	32,109	229	(686)	10,469	49,870
Revaluation surplus							
— investment properties	—	—	10,900	—	—	—	10,900
— other properties	—	—	—	—	283	—	283
— non-trading investments	—	—	—	232	—	—	232
Transferred to the profit and loss account on disposal of non-trading investments	—	—	—	(22)	—	—	(22)
Deferred tax on revaluation of certain investment properties	—	—	(139)	—	—	—	(139)
Profit for the year	—	—	—	—	—	3,033	3,033
Dividends approved in respect of the previous year (Note 10b)	—	—	—	—	—	(685)	(685)
Dividends declared in respect of the current year (Note 10a)	—	—	—	—	—	(802)	(802)
Others	—	—	—	—	45	(40)	5
Balance at December 31, 2004	7,742	7	42,870	439	(358)	11,975	62,675

(Note)

Note: Included in other capital reserves of the Group are other properties revaluation reserves totalling HK\$2,550 million (2003:HK\$2,267 million).

26. RESERVES (continued)

	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group (continued)							
ii. Associates and jointly controlled entity							
Balance at January 1, 2003	—	—	—	(1)	—	(964)	(965)
Transferred to the profit account on disposal of non-trading investments	—	—	—	1	—	—	1
Revaluation surplus — non-trading investments	—	—	—	1	—	—	1
Profit for the year	—	—	—	—	—	274	274
Balance at December 31, 2003 and January 1, 2004	—	—	—	1	—	(690)	(689)
Revaluation surplus — non-trading investments	—	—	—	1	—	—	1
Profit for the year	—	—	—	—	—	734	734
Balance at December 31, 2004	—	—	—	2	—	44	46
Total reserves							
At December 31, 2004	7,742	7	42,870	441	(358)	12,019	62,721
At December 31, 2003	7,742	7	32,109	230	(686)	9,779	49,181

Notes to the Accounts (continued)

26. RESERVES (continued)

	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b. The Company					
Balance at January 1, 2003	7,742	7	306	2,502	10,557
Profit for the year	—	—	—	2,486	2,486
Dividends approved in respect of the previous year (Note 10b)	—	—	—	(685)	(685)
Dividends declared in respect of the current year (Note 10a)	—	—	—	(802)	(802)
Balance at December 31, 2003 and January 1, 2004	7,742	7	306	3,501	11,556
Profit for the year	—	—	—	1,487	1,487
Dividend approved in respect of the previous year (Note 10b)	—	—	—	(685)	(685)
Dividend declared in respect of the current year (Note 10a)	—	—	—	(802)	(802)
Balance at December 31, 2004	7,742	7	306	3,501	11,556

Reserves of the Company available for distribution to shareholders at December 31, 2004 amounted to HK\$3,501 million (2003:HK\$3,501 million).

The application of the share premium account and capital redemption reserves are governed by Section 48B and Section 49 of the Hong Kong Companies Ordinance respectively. The revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of investment properties, hotel and club properties and non-trading investments.

After the balance sheet date the Directors proposed a final dividend of 36 cents per share (2003:28 cents per share) amounting to HK\$881 million (2003:HK\$685 million). This dividend has not been recognised as a liability at the balance sheet date.

27. LONG TERM LOANS

	Group		Company	
	2004 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million	2003 HK\$ Million
Bonds and notes (unsecured)				
HK dollar fixed rate notes due 2004	—	800	—	—
HK dollar fixed rate notes due 2005	300	300	—	—
US dollar fixed rate notes due 2004	—	1,468	—	—
US dollar fixed rate notes due 2007	2,412	2,412	—	—
	2,712	4,980	—	—
Medium term note programme (unsecured)				
HK dollar fixed rate notes due 2004	—	180	—	—
HK dollar fixed rate notes due 2006	600	600	—	—
HK dollar floating rate notes due 2006	340	—	—	—
HK dollar floating rate notes due 2008	100	100	—	—
HK dollar floating rate notes due 2009	100	—	—	—
HK dollar floating rate notes due 2010	200	—	—	—
	1,340	880	—	—
Bank loans (secured)				
Due after more than 1 year but not exceeding 2 years	—	377	—	—
Due after more than 2 years but not exceeding 5 years	34	37	—	—
	34	414	—	—
Bank loans (unsecured)				
Due within 1 year	2,936	3,881	190	—
Due after more than 1 year but not exceeding 2 years	1,327	1,000	—	—
Due after more than 2 years but not exceeding 5 years	6,362	7,519	—	—
Due after more than 5 years	1,731	—	—	—
	12,356	12,400	190	—
Total loans	16,442	18,674	190	—
Less: Amounts due within 1 year (Note 24)	(3,236)	(6,329)	(190)	—
Total long term loans	13,206	12,345	—	—

Notes to the Accounts (continued)

27. LONG TERM LOANS (continued)

- a. As at December 31, 2004, the Group's net debts, representing the total loans less deposits and cash, are analysed as follows:—

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Secured	34	414
Bank loans	34	414
Unsecured	16,408	18,260
Bonds and notes	2,712	4,980
Medium term note programme	1,340	880
Bank loans	12,356	12,400
Total loans	16,442	18,674
Long term deposit	(156)	(156)
Deposits and cash	(2,209)	(1,512)
	14,077	17,006

- b. As the Group's borrowings are primarily denominated in Hong Kong and US dollars and the US dollar loans have fully been effectively swapped into Hong Kong dollar loans by forward exchange contracts, there is no significant exposure to foreign exchange rate fluctuations.
- c. Over 90% of the bonds and notes either bear interest at floating rates or have been swapped to floating rates determined by reference to the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate.
- d. Included in the Group's total loans are bank loans totalling HK\$1,597 million borrowed by a non-wholly owned subsidiary, Modern Terminals Limited (2003:HK\$1,300 million). The loans are without recourse to the Company and other subsidiaries.

28. DEFERRED TAXATION

- a. Net deferred tax (assets)/liabilities recognised in the consolidated balance sheet:—

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Deferred tax liabilities	2,019	1,748
Deferred tax assets	(118)	(112)
Net deferred tax liabilities	1,901	1,636

28. DEFERRED TAXATION (continued)

The components of deferred tax assets and liabilities and the movements during the year are as follows:—

	Depreciation allowances in excess of the related depreciation <i>HK\$ Million</i>	Revaluation of properties <i>HK\$ Million</i>	Others <i>HK\$ Million</i>	Future benefit of tax losses <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Balance at January 1, 2003	1,728	327	(109)	(440)	1,506
Charged/(credited) to the consolidated profit and loss account	(12)	—	121	(115)	(6)
Charged to reserves/ minority interests	—	37	—	—	37
Effect of change in tax rate charged to the consolidated profit and loss account	150	—	(10)	(41)	99
Balance at December 31, 2003 and January 1, 2004	1,866	364	2	(596)	1,636
Charged/(credited) to the consolidated profit and loss account	114	—	(2)	13	125
Charged to reserves/ minority interests	—	140	—	—	140
Balance at December 31, 2004	1,980	504	—	(583)	1,901

b. Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:—

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
(Deductible)/taxable temporary differences	(2)	1
Future benefit of tax losses	(1,457)	(1,512)
Net deferred tax assets unrecognised	(1,459)	(1,511)

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at December 31, 2004. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

Notes to the Accounts (continued)

29. OTHER DEFERRED LIABILITIES

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Club debentures (non-interest bearing) due after more than 5 years	222	224
Deferred revenue	25	22
Others	10	14
	257	260

30. DEFINED BENEFIT PENSION SCHEMES

	Group	
	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Defined benefit pension scheme assets	31	15

The Group makes contributions to six defined benefit pension schemes that provide pension benefits for employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions from employers, which are in accordance with recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at December 31, 2004 were performed either by HSBC Life (International) Limited, Watson Wyatt Hong Kong Limited, who are independent qualified actuaries or internally, using the projected unit credit method. The funding ratios of the principal schemes were 104% and 123% respectively.

a. The amount recognised in the consolidated balance sheet is as follows:—

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
Present value of funded obligations	(719)	(664)
Fair value of plan assets	805	709
Net unrecognised actuarial gains	(70)	(52)
Unrecognised transitional liability	15	22
	31	15

b. Movements in the net assets in the consolidated balance sheet are as follows:—

	2004 <i>HK\$ Million</i>	2003 <i>HK\$ Million</i>
At January 1	15	14
Contributions paid	37	37
Expense recognised in the consolidated profit and loss account	(21)	(36)
At December 31	31	15

30. DEFINED BENEFIT PENSION SCHEMES (continued)**c. Expenses recognised in the consolidated profit and loss account are as follows:—**

	2004	2003
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Current service cost	31	34
Interest cost	31	34
Expected return on scheme assets	(48)	(40)
Net transitional liability recognised	7	8
	21	36

The expense is recognised in the following line items in the consolidated profit and loss account:—

Direct costs and operating expenses	20	34
Administrative and corporate expenses	1	2
	21	36
Actual return on scheme assets	(91)	(126)

d. The principal actuarial assumptions used as at December 31, 2004 (expressed as a range) are as follows:—

	2004	2003
Discount rate at December 31	4.0%–5.0%	5.0%–5.5%
Expected rate of return on scheme assets	5.0%–8.0%	5.0%–7.0%
Future salary increases — 2004	N/A	2.0%–3.5%
— 2005	2.0%–5.0%	2.0%–3.5%
— 2006	2.0%–3.0%	3.5%–4.0%
— thereafter	2.0%–4.0%	3.5%–4.0%

31. EQUITY COMPENSATION BENEFITS

The Company has a share option scheme which was adopted on June 30, 1998, to replace a former scheme previously adopted on September 29, 1988, whereby the Directors of the Company are authorised, at their discretion, to invite employees, including directors, of the Company and/or any of its subsidiaries to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Options under the share option scheme are exercisable during such period as determined by the Directors prior to the grant of the option provided that no option may be granted which is exercisable earlier than one year from the date of grant or later than 10 years after such date.

Notes to the Accounts (continued)

31. EQUITY COMPENSATION BENEFITS (continued)**a. Movement in share options**

	2004	2003
	Number	<i>Number</i>
At January 1	400,000	2,551,000
Lapsed	—	(2,151,000)
At December 31	400,000	400,000
Options vested at December 31	—	—

- b.** During the years ended December 31, 2004 and 2003, no options were granted to subscribe for ordinary shares of the Company under the Company's Executive Share Incentive Scheme.

c. Terms of share options at the balance sheet date

Exercise period	Exercise price	2004	2003
		Number	<i>Number</i>
8/1/2005 — 7/31/2006	HK\$25.00	400,000	400,000

During the years ended December 31, 2004 and 2003, no options were exercised to subscribe for ordinary shares under the Company's Executive Share Incentive Scheme.

32. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended December 31, 2004:—

- a.** As disclosed in Note 16, loans totalling HK\$1,494 million (2003:HK\$2,588 million) advanced by the Group to certain associates involved in the Sorrento and Bellagio property developments projects are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the year is not material in the context of these accounts.
- b.** As disclosed in Note 33b, the Company and a subsidiary, together with its principal shareholder and two of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by a subsidiary of the associate under an agreement to develop the Sorrento property development project.
- Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.
- c.** In respect of the year ended December 31, 2004, the Group earned rental income totalling HK\$135 million (2003:HK\$105 million) from various tenants which are wholly owned by, or are non-wholly owned subsidiaries of, companies which in turn are wholly owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

33. CONTINGENT LIABILITIES

As at December 31, 2004:—

- a. There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$23,128 million (2003:HK\$28,562 million).
- b. The Company and a subsidiary together with its principal shareholder and two subsidiaries thereof, have jointly and severally guaranteed the performance and observance of the terms under an agreement for the Sorrento property development project by the subsidiary of an associate.
- c. Forward foreign exchange contracts amounting to HK\$4,238 million (2003:HK\$5,616 million) will mature in 2005.

34. COMMITMENTS

	Group	
	2004 HK\$ Million	2003 HK\$ Million
a. Capital commitments		
Planned capital expenditure:		
Authorised and contracted for	1,931	1,099
Authorised but not contracted for	1,494	1,419
	3,425	2,518
b. Other commitments		
Planned expenditure mainly relating to properties under development for sale in Mainland China:		
Authorised and contracted for	332	62
Authorised but not contracted for	1,497	2,393
	1,829	2,455

35. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in Note 10.

*Notes to the Accounts (continued)***36. FUTURE CHANGES IN ACCOUNTING POLICIES**

For full convergence with International Financial Reporting Standards, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended December 31, 2004.

The Group has made a preliminary assessment of the impact of these new HKFRSs and has so far concluded that the adoption of Hong Kong Accounting Standard ("HKAS") 40 "Investment property", HKAS Interpretation 23 "The appropriate policies for hotel properties" and Accounting Interpretation 21 "Income taxes — recovery of revalued non-depreciable assets" will have a significant impact on its consolidated accounts as set out below:—

- a. At present, the Group records its hotel properties at valuation in accordance with Statement of Standard Accounting Practice, ("SSAP") 17 "Property, plant and equipment". No depreciation is provided on hotel properties as they are maintained in a continuous state of sound repair such that, given the estimated life of the hotel properties and their residual values, any depreciation would be immaterial. For the financial year beginning January 1, 2005, the Group will adopt the requirements of HKAS Interpretation 23 and apply them retrospectively. The Group's hotel properties will be stated at cost less accumulated depreciation and impairment, if any. The adoption of this new accounting interpretation at December 31, 2004 would have had the effect of reducing the Group's net assets by approximately HK\$2.9 billion or HK\$1.17 per share at December 31, 2004, mainly as a result of the reversal of revaluations of hotel properties dealt with in other capital reserves. The preliminary assessment indicates that the annual depreciation on the Group's hotel properties on adoption of this new accounting interpretation will be less than HK\$30 million in 2005.
- b. At present, surpluses or deficits arising on the annual revaluation of the Group's investment properties to open market value at the balance sheet date are dealt with in the investment properties revaluation reserves. Following the adoption of the new HKAS 40, the Group's investment properties will continue to be stated at open market value and all surpluses/deficits arising from the revaluation of the investment properties will be reported in the consolidated profit and loss account. The new HKAS 40 and Accounting Interpretation 21 "Income taxes — recovery of revalued non-depreciable assets" require the provision of deferred tax on all these revaluation surpluses/deficits to be calculated at applicable profits tax rates. If these revised accounting standards had been adopted as at December 31, 2004, the Group's profit attributable to shareholders would have been increased by HK\$8.9 billion, being the net revaluation surpluses arising on the Group's investment properties of HK\$10.9 billion which have been dealt with in investment properties revaluation reserves less deferred tax of HK\$2.0 billion. Furthermore, recognition of deferred tax on the Group's cumulative properties revaluation surpluses is required and hence the Group's net assets as at December 31, 2004 would have reduced by approximately HK\$7.4 billion.

The Group is continuing its assessment of the impact of the new HKFRSs and other significant changes may be identified as a result of this assessment.

37. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Directors on March 15, 2005.

Principal Subsidiaries and Associates

At December 31, 2004

Subsidiaries	Place of incorporation/operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Group	Principal activities
# Wharf Estates Limited	Hong Kong	2 HK\$1 shares	100	Holding company
Harbour City				
Harbour City Estates Limited	Hong Kong	2 HK\$1 shares	100	Property and property management
Wharf Realty Limited	Hong Kong	2 HK\$1 shares	100	Property
* Harbour Centre Development Limited	Hong Kong	315,000,000 HK\$0.5 shares	67	Holding company
Times Square				
Times Square Limited	Hong Kong	2 HK\$10 shares	100	Property and property management
Plaza Hollywood				
Plaza Hollywood Limited (formerly Charris Company Limited)	Hong Kong	10,000 HK\$1 shares	100	Property
Plaza Hollywood Management Limited	Hong Kong	2 HK\$1 shares	100	Property management
# Wharf Estates Development Limited	Hong Kong	2 HK\$1 shares	100	Holding company
Delta Realty Limited	Hong Kong	2 HK\$1 shares	100	Property
Feckenham Limited	Hong Kong	2 HK\$10 shares	100	Property
Framenti Company Limited	Hong Kong	2 HK\$1 shares	100	Property
HKRT Peak Properties Limited	Hong Kong	3,000,000 HK\$10 shares	100	Property
Hong Tai Yuen Limited	Hong Kong	500,000 HK\$1 shares	100	Property
New Tech Centre Limited	Hong Kong	10,000 HK\$1 shares	100	Property
Olinda Limited	Hong Kong	2 HK\$10 shares	100	Property
Roville Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Spring Wealth Investments Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
# Wharf China Limited	Cayman Islands	500,000,000 US\$1 shares	100	Holding company
Wharf Estates China Limited				
Beijing Capital Times Square Development Company Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Beijing Times Establishment Property Management Company Limited	The People's Republic of China	US\$59,000,000	88	Property
Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$200,000	75	Property management
Shanghai Times Square Property Management (Shanghai) Company Limited	The People's Republic of China	US\$45,000,000	100	Property
		US\$500,000	100	Property management

Principal Subsidiaries and Associates (continued)

Subsidiaries	Place of incorporation/operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Group	Principal activities
Dalian Times Square Development Company, Limited	The People's Republic of China	RMB200,000,000	60	Property
Han Long Development (Wuhan) Company Limited	The People's Republic of China	US\$5,000,000	100	Property
Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB167,000,000	100	Property
Shanghai Jiu Zhou Property Development Company Limited	The People's Republic of China	US\$20,000,000	85	Property
Shanghai Long Shen Real Estate Development Company Limited	The People's Republic of China	US\$22,330,000	55	Property
Shanghai Wellington Garden Estate Development Company Limited	The People's Republic of China	US\$16,666,666	59	Property
Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$80,000,000	98	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK\$1 shares	100	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK\$5 shares	100	Public transport
Hong Kong Tramways, Limited	Hong Kong	21,937,500 HK\$5 shares	100	Public transport
Modern Terminals Limited	Hong Kong	76,891 HK\$1,000 shares	55	Container terminal
Hotels				
Wharf Hotel Investments Limited	Cayman Islands	500,000,000 US\$1 shares	100	Holding company
Marco Polo Hotels Management Limited	Hong Kong	2 HK\$10 shares	100	Hotel management
The Hongkong Hotel Limited	Hong Kong	100,000 HK\$1 shares	67	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK\$1 shares	100	Hotel operation
The Prince Hotel Limited	Hong Kong	2 HK\$1 shares	100	Hotel operation
# Wharf Communications Limited	Hong Kong	1,000,000 HK\$10 shares	100	Holding company
COL Limited	Hong Kong	40,000 HK\$500 shares	100	Computer services
Hong Kong Cable Enterprises Limited	Hong Kong	2 HK\$1 shares	67	Advertising airtime, programming licensing and channel carriage services
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK\$1 shares	67	Pay television services

Subsidiaries	Place of incorporation/operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Group	Principal activities
* i-CABLE Communications Limited	Hong Kong	2,019,234,400 HK\$1 shares	67	Holding company
i-CABLE Network Limited	Hong Kong	100 HK\$1 shares 2 HK\$1 non-voting deferred shares	67	Network operation services
i-CABLE Satellite Television Limited	Hong Kong	2 HK\$1 shares	67	Non-domestic television services and programming licensing
i-CABLE WebServe Limited	Hong Kong	2 HK\$1 shares	67	Internet and multimedia services
Rediffusion Satellite Services Limited	Hong Kong	1,000 HK\$10 shares	67	Satellite television services
EC Telecom Limited	Hong Kong	2 HK\$1 shares	100	Telecommunication
Wharf T&T Limited	Hong Kong	100,000,000 HK\$1 shares	100	Telecommunication
Investment and others				
Wharf Limited	Hong Kong	2 HK\$10 shares	100	Management services
Fortune Growth Investments Limited	Hong Kong	2 HK\$1 shares	100	Finance
Wharf Finance (BVI) Limited	British Virgin Islands	500 US\$1 shares	100	Finance
# Wharf International Finance Limited	Cayman Islands	500 US\$1 shares	100	Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	100	Holding company
Associates	Place of incorporation/operation	Class of shares	Percentage of equity attributable to the Group	Principal activities
Property				
Diamond Hill Development Holdings Limited	British Virgin Islands	Ordinary	33	Holding company
Harriman Leasing Limited	Hong Kong	Ordinary	50	Leasing agent
Hopfield Holdings Limited	British Virgin Islands	Ordinary	33	Holding company
Salisbury Company Limited	Hong Kong	Ordinary	33	Property
Kowloon Properties Company Limited	Hong Kong	Ordinary	33	Property

All the subsidiaries listed above were, as at December 31, 2004, indirect subsidiaries of the Company except where marked #.

The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

Subsidiaries held directly

* Listed companies

Schedule of Principal Properties

As at December 31, 2004

ADDRESS	LOT NUMBER	YEAR OF COMPLETION	EXPECTED YEAR OF COMPLETION	LEASE EXPIRY
Wharf Estates Limited				
Harbour City				
<i>Investment properties</i>				
Ocean Terminal, Harbour City, Tsimshatsui	KPP 83	1966		2012
Ocean Centre, Harbour City, Tsimshatsui	KML 11 S.A.	1977		2880
Wharf T & T Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981		2880
World Commerce Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981		2880
World Finance Centre, Harbour City, Tsimshatsui	KML 11 S.D.	1983		2880
Ocean Galleries, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1981/83		2880
Gateway I, Harbour City, Tsimshatsui	KML 11 R.P.	1994		2880
Gateway II, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1998/99		2880
The Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui (Commercial Section)	KML 91 S.A. & KML 10 S.B.	1969		2863
<i>Hotels and clubs</i>				
The Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969		2863
The Marco Polo Gateway, Harbour City, Tsimshatsui	KML 11 S.B.	1981		2880
The Marco Polo Prince, Harbour City, Tsimshatsui	KML 11 S.D.	1981		2880
Pacific Club Kowloon, Harbour City, Tsimshatsui	KPP 6	1990		2006
Times Square				
<i>Investment property</i>				
Times Square, Sharp Street East, Causeway Bay	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A., B & R.P., IL 722 & IL 718	1993		2850/60/80
Plaza Hollywood				
<i>Investment property</i>				
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	NKIL 6160	1997		2047
Wharf Estates Development Limited				
<i>Investment properties</i>				
World Trade Square, Hoi Bun Road, Kwun Tong	KTIL 713	1991		2047
26-27/F, World-Wide House, Central	IL 8432	1979		2053
Various Units of Cable TV Tower, Hoi Shing Road, Tsuen Wan	TWTL 218	1992		2047
Various Units of Grandtech Centre, On Sum Street, Shatin	STTL 375	1996		2047
Various Units of Strawberry Hill, 8 Plunkett's Road, The Peak	RBL 512 & 1004	1974/77		2027/28
77 Peak Road, The Peak	RBL 836	1951		2029
Chelsea Court 63 Mount Kellett Road, The Peak	RBL 556 R.P.S.A. & S.B.	2001		2035
Mountain Court 11-13 Plantation Road, The Peak	RBL 522, 639, 661	2001		2027
1 Plantation Road, The Peak	RBL 534 S.E. & F.	2002		2028
<i>Other property</i>				
Delta House, 3 On Yiu Street, Shatin	STTL 422	1999		2047
<i>Property under redevelopment</i>				
3-5 Gough Hill Path, The Peak	RBL 1169		2006	2031/50
60 Victoria Road, Kennedy Town, Hong Kong	IL 8079		N/A	2064
Cable TV Tower South Chai Wan Kok Street, Tsuen Wan	TWIL 36		N/A	2047
Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay	NKIL 5805, 5806 & 5982		N/A	2047
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	YTIL 45A & adjoining Government land		N/A	2047
<i>Properties under development undertaken by associates</i>				
Bellagio, Sham Tseng Phase III, IV	Lot 266 in DD 390		2005	2051
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay		N/A	2047

APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)								
SITE AREA (SQ.FT.)	OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL — OFFICE/ INDUSTRIAL	CLUB HOUSE	HOTEL (NO. OF ROOMS)	STAGE OF COMPLETION	ATTRIBUTABLE INTEREST
346,719		658,000						100%
126,488	677,000	224,000						100%
(a)	257,000							100%
(a)	257,000							100%
(a)	512,000							100%
(a)		386,000						100%
(a)	1,128,000	108,000						100%
(a)	1,570,000	400,000	670,000					100%
(b)	34,000	137,000						67%
58,814						664		67%
(a)						431		100%
(a)						394		100%
48,309					139,000			100%
112,441	1,033,000	936,000						100%
280,510		562,000						100%
48,438	330,000	65,000						100%
N/A	21,000							100%
N/A				522,000				100%
N/A				380,000				100%
N/A			37,000					100%
76,728			32,000					100%
29,640			43,000					100%
32,145			49,900					100%
97,670			97,000					100%
70,127				349,000				100%
49,321			24,700				Superstructure in progress	100%
6,100			48,800				Superstructure in progress	67%
66,005		120,000				1,032	Planning stage	100%
165,809			995,100			200	Planning stage	100%
40,637		41,000	203,000				Planning stage	100%
N/A			1,591,800	(637,200 s.f. pre-sold)			Superstructure in progress	33 1/3%
2,185,000		301,000	8,740,000				Planning stage	15.6%

Schedule of Principal Properties *(continued)*

ADDRESS	LOT NUMBER	YEAR OF COMPLETION	EXPECTED YEAR OF COMPLETION	LEASE EXPIRY
Wharf Estates China Limited				
<i>Investment properties</i>				
Beijing Capital Times Square 88 West Changan Avenue, Beijing		1999		2044
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai		1999		2043
Chongqing Times Square Zou Rong Road/Min Zu Road, Yuzhong District, Chongqing		2004		2050
<i>Properties under development</i>				
Wellington Garden Area 8 of 148, Huai Hai Xi Road, Xuhui District, Shanghai			2006	2045
Dalian Times Square Ren Min Road, Zhongshan District, Dalian			2007	2039/2069
Wuhan Times Square Yan Jiang Da Dao & Nanling Road, Jiangan District, Wuhan			2007	2053/73
Parc Royal 176, Huai Hai Xi Road, Changning District, Shanghai			2007	2044
Commercial development at 1717, Nan Jing Xi Road, Jingan District, Shanghai			2008	2046
Jing An Garden 398, Wanhangu Road, Jingan District, Shanghai			2008	2043/63

Including basement carpark area.

* Residential includes office-apartments.

Notes:

(a) Part of Harbour City, total site area is 428,719 sq. ft.

(b) Part of The Marco Polo Hongkong Hotel building.

APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)

SITE AREA (SQ.FT.)	OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL — OFFICE/ INDUSTRIAL	CLUB HOUSE	HOTEL (NO. OF ROOMS)	STAGE OF COMPLETION	ATTRIBUTABLE INTEREST
141,007	625,000	670,000 #						88%
148,703	331,000	685,000 #	195,000					100%
95,799	13,800	724,000 #						100%
80,482			562,000 #*				Foundation work and superstructure in progress	59%
187,670		167,000	1,699,000 #				Planning stage	60%
187,649		103,400	2,305,000 #*				Foundation in progress	100%
118,220			802,000 #*				Planning stage	85%
136,432	1,565,000#	24,300					Foundation in progress	98%
170,825			970,000 #*				Planning stage	55%

Ten-Year Financial Summary

	1995 <i>HK\$ Million</i>	1996 <i>HK\$ Million</i>	Restated 1997 <i>HK\$ Million</i>	Restated 1998 <i>HK\$ Million</i>	Restated 1999 <i>HK\$ Million</i>
Summary of Profit and Loss Account					
Turnover (Note 1)	6,770	8,405	10,980	10,840	10,521
Group profit attributable to shareholders	3,605	2,239	1,882	1,922	3,217
Prior year adjustment (Note 2, 4 to 6)	—	—	(960)	(51)	294
Restated amount	3,605	2,239	922	1,871	3,511
Dividends	2,278	2,593	1,793	1,790	1,881
Summary of Balance Sheet					
Fixed assets (Note 5)	85,215	98,326	93,434	71,651	73,362
Goodwill	—	—	—	—	—
Long term deposits	—	—	—	—	—
Associates (Note 4)	4,181	2,769	4,463	3,842	5,197
Jointly controlled entity	—	—	—	—	—
Long term investments (Note 4)	2,328	4,324	7,824	7,107	5,258
Deferred debtors	97	104	238	349	506
Deferred items (Note 5)	2,128	2,391	2,432	653	575
Deferred tax assets (Note 6)	—	—	—	—	—
Current assets	10,118	8,337	8,777	8,529	12,536
Current liabilities (Note 3)	(5,807)	(9,589)	(8,457)	(13,469)	(10,345)
	98,260	106,662	108,711	78,662	87,089
Representing:					
Share capital	2,169	2,300	2,295	2,295	2,446
Reserves (Note 2 to 6)	71,729	83,527	75,638	49,624	51,966
Shareholders' funds	73,898	85,827	77,933	51,919	54,412
Convertible subordinated bonds	3,054	—	—	—	—
Long term loan/deferred liabilities (Note 2)	18,570	15,983	25,997	22,322	26,802
Minority interests (Note 2, 4 to 6)	2,556	4,382	4,264	3,903	5,368
Deferred taxation (Note 6)	182	470	517	518	507
	98,260	106,662	108,711	78,662	87,089

Note:

Pursuant to the adoption of the following new or revised Statement of Standard Accounting Practices ("SSAP") and Interpretation,

—	SSAP 1 (revised)	:	Presentation of financial statements
—	SSAP 9 (revised)	:	Events after the balance sheet date
—	SSAP 11 (revised)	:	Foreign currency translation
—	SSAP 12 (revised)	:	Income taxes
—	SSAP 15 (revised)	:	Cash flow statement
—	SSAP 24	:	Accounting for investments in securities
—	SSAP 28	:	Provisions, contingent liabilities and contingent assets
—	SSAP 34	:	Employee benefits
—	Interpretation 9	:	Accounting for pre-operating costs

	Restated 2000 HK\$ Million	2001 HK\$ Million	Restated 2002 HK\$ Million	2003 HK\$ Million	2004 HK\$ Million
Summary of Profit and Loss Account					
Turnover (Note 1)	12,023	11,725	11,333	11,253	11,953
Group profit attributable to shareholders	2,480	2,519	2,303	3,043	3,767
Prior year adjustment (Note 2, 4 to 6)	14	—	(44)	—	—
Restated amount	2,494	2,519	2,259	3,043	3,767
Dividends	1,908	1,908	1,370	1,487	1,683
Summary of Balance Sheet					
Fixed assets (Note 5)	77,237	74,445	69,044	71,120	82,143
Goodwill	—	419	397	347	297
Long term deposits	—	468	156	156	156
Associates (Note 4)	4,972	3,389	3,367	2,075	1,583
Jointly controlled entity	—	—	—	—	348
Long term investments (Note 4)	1,901	1,088	1,178	1,392	1,654
Deferred debtors	433	485	459	439	426
Deferred items (Note 5)	570	533	468	432	402
Deferred tax assets (Note 6)	—	—	108	112	118
Current assets	7,390	7,637	5,945	5,089	6,482
Current liabilities (Note 3)	(12,893)	(12,181)	(11,420)	(11,160)	(8,604)
	79,610	76,283	69,702	70,002	85,005
Representing:					
Share capital	2,446	2,447	2,447	2,447	2,447
Reserves (Note 2 to 6)	55,504	52,198	45,287	49,181	62,721
Shareholders' funds	57,950	54,645	47,734	51,628	65,168
Convertible subordinated bonds	—	—	—	—	—
Long term loan/deferred liabilities (Note 2)	17,156	17,441	16,673	12,605	13,463
Minority interests (Note 2, 4 to 6)	4,026	3,730	3,681	4,021	4,355
Deferred taxation (Note 6)	478	467	1,614	1,748	2,019
	79,610	76,283	69,702	70,002	85,005

Certain figures have been reclassified or restated as set out below:

1. Turnover figures for the years ended December 31, 1997 and onwards are presented in accordance with the requirements SSAP 1 (revised).
2. These figures have been restated pursuant to the adoption of SSAP 28 as explained in Note 11b to the accounts of 2001. Figures for 1999 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
3. These figures have been restated pursuant to the adoption of SSAP 9 (revised) as explained in Note 11c to the accounts of 2001. Figures for 1999 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
4. These figures have been restated pursuant to the adoption of SSAP 24 as explained in Note 10 to the 1999 accounts. Figures for 1996 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
5. These figures have been restated pursuant to the adoption of Interpretation 9 "Accounting for pre-operating costs" as explained in Note 8 to 2000 accounts. Figures for 1997 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
6. These figures have been restated pursuant to the adoption of SSAP 12 (revised) as explained in Note 11 to the accounts of 2003. Figures for 2001 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.