Notes to the Accounts

Note 1 Significant 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 Society of Accountants ("HKSA"), 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 significant 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 except for certain investments in securities which are recorded at fair value as explained in the accounting policies set out below.

(c) Subsidiaries and controlled enterprises

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 of 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 their 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 other investments in securities as set out in Note 1(q) below.

All material intra-Group transactions and balances are eliminated on consolidation.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see Note 1(r) below), 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 other investments in securities as set out in Note 1(q) below.

(d) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

For acquisitions before January 1, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses recognised in the profit and loss account (see Note 1(r) below).

For acquisitions on or after January 1, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see Note 1(r) below).

Note 1 Significant accounting policies *(continued)*

(d) Goodwill *(continued)*

On disposal of a controlled subsidiary during the year, 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 or loss on disposal.

(e) Property, plant and equipment and depreciation

Property, plant and equipment are stated in the balance sheet at cost, less accumulated depreciation and any accumulated impairment losses (see Note 1(r) below). Cost includes materials, labour and an appropriate proportion of overhead and borrowing costs directly attributable to acquisition, construction or production of such property, plant and equipment that necessarily take a substantial period of time to get ready for their intended use. Estimated cost of dismantling and removing the property, plant and equipment and restoring the site, to the extent that it is recognised as a provision under SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the HKSA, is also included.

Depreciation is provided on a straight-line basis on the cost of the equipment required to support a fully operating network and cable television system at rates determined by the estimated useful lives of the assets ranging from five to 20 years, adjusted by the appropriate pre-maturity fraction during the pre-maturity period, which began with the first earned subscriber revenue on October 31, 1993 and was to continue until the earlier of the attainment of a predetermined subscriber level and December 31, 1996. The pre-maturity period ended on November 30, 1996, when the predetermined subscriber level was attained. Depreciation is provided on a straight-line basis on the cost of other assets at rates determined by the estimated useful lives of the assets ranging from two to 40 years.

The principal annual depreciation rates used are as follows:

Network, decoders, cable modems and television production systems	5% to 50%
Furniture, fixtures, other equipment and motor vehicles	10% to 33.33%
Leasehold land	Shorter of 40 years and unexpired term of land leases
Buildings	2.5%
Leasehold improvements	8.33%

(f) Programming library

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

Presentation rights are stated in the balance sheet at cost less accumulated amortisation and any impairment losses (see Note 1(r) below). Amortisation is charged to the profit and loss account on an accelerated basis 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.

Note 1 Significant accounting policies *(continued)*

(f) Programming library *(continued)*

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.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined by the Group based on the expected replacement cost of the inventories net of provisions for obsolescence.

(h) Cash and cash equivalents

Cash and cash equivalents comprise 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, having been 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 cash flow statement.

(i) Revenue recognition

Revenue is recognised in the profit and loss account provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if any, can be measured reliably as follows:

(i) Income from the provision of subscription television and Internet services is recognised at the time when the services are provided.

(ii) Installation fees are recognised upon completion of the related installation work to the extent of direct selling costs.

(iii) Where packaged service fees comprise a number of elements and the fees can be allocated on a reasonable basis into elements of subscription service and installation service, revenue is recognised in accordance with the accounting policies set out in Note 1(i)(i) and (ii) above. Where packaged service fees cannot be allocated into individual elements, the fees are deferred and recognised evenly over the term of the service period.

(iv) Advertising income net of agency deductions is recognised on telecast of the advertisement. When an advertising contract covers a specified period, the related income is recognised evenly over the contract period.

(v) Programme licensing income is recognised on a straight-line basis over the licence period or in full upon delivery of the programmes concerned in accordance with the terms of the licence contracts, and is stated net of withholding tax.

Note 1 Significant accounting policies *(continued)*

(i) Revenue recognition *(continued)*

(vi) When the outcome of construction contracts relating to the Group's satellite television services business can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured with reference to the percentage of contract costs incurred to date relative to the estimated total contract costs. When the outcome of such construction contracts cannot be estimated reliably, revenue is recognised only to the extent that recovery of contract costs is probable.

(vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

(j) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period 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 that necessarily takes a substantial period of time to get ready for its intended use.

(k) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

(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 respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. 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.

Note 1 Significant accounting policies *(continued)*

(k) 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, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 profit 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 profit will be available.

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 asset and settle the liability 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.

Note 1 Significant accounting policies *(continued)*

(l) Operating leases

Rentals payable and rentals receivable in respect of assets held or provided under operating leases are recognised in the 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 received or granted are recognised in the profit and loss account as an integral part of the aggregate net lease rentals payable or receivable.

(m) Foreign currency translation

The functional currency of the Group's operations is the Hong Kong dollar.

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit and loss on disposal.

(n) Allowance for doubtful accounts

An allowance for doubtful accounts is provided upon the evaluation of the recoverability of the receivables at the balance sheet date.

(o) Construction contracts

The accounting policy for contract revenue is set out in Note 1(i)(vi) above. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense with reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings. Amounts received before the related work is performed are included under current liabilities, and amounts billed but not yet paid by the customer for work performed on a contract are included under current assets.

(p) Related party transactions

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.

Note 1 Significant accounting policies *(continued)*

(q) Other investments in securities

(i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

Transfers from the investment revaluation reserve to the 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.

(ii) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(r) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or any impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– investments in subsidiaries (except for those accounted for as other investments in securities as mentioned in Note 1(c) above);
– programming library; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(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 profit and loss account in the year in which the reversals are recognised.

Note 1 Significant accounting policies *(continued)*

(s) Segment reporting

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

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 enterprises within a single segment.

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 and corporate and financing expenses.

(t) Provisions and contingent liabilities

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. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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.

(u) Employee benefits

(i) 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.

(ii) Contributions to defined contribution plans, including contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of property, plant and equipment not yet recognised as an expense.

(iii) When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

Note 2 Turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 32 to the accounts.

Turnover comprises principally subscription and installation fees for cable television and Internet services and also includes equipment rental, advertising income net of agency deductions, marketing contributions, channel service fees, television relay service income, programme licensing income, fibre network and satellite television systems maintenance income, project management service fees, sales of satellite television systems, television magazine sales, late payment charges to subscribers and similar income.

Notes to the Accounts *(continued)*

Note 3 Segment information

Business segments

	Pay television		Internet and multimedia		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Revenue						
External revenue	**1,734,208**	1,710,767	**408,605**	450,021	**2,142,813**	2,160,788
Result						
Segment result	**444,138**	331,757	**(84,775)**	8,668	**359,363**	340,425
Unallocated corporate expenses					**(108,753)**	(113,990)
Profit from operations					**250,610**	226,435
Interest income					**8,485**	26,355
Non-operating expenses					**(9,885)**	(198)
Impairment loss on investments					**–**	(72,870)
Finance costs					**(15,610)**	(62,463)
Income tax					**(13,142)**	–
Profit attributable to shareholders					**220,458**	117,259
Assets						
Segment assets	**1,616,550**	1,619,901	**881,402**	948,179	**2,497,952**	2,568,080
Unallocated corporate assets					**182,899**	656,023
Consolidated total assets					**2,680,851**	3,224,103
Liabilities						
Segment liabilities	**539,354**	485,752	**181,550**	265,331	**720,904**	751,083
Unallocated corporate liabilities					**275,299**	948,252
Consolidated total liabilities					**996,203**	1,699,335
Other information						
Capital expenditure						
– property, plant and equipment	**251,533**	352,115	**173,992**	200,825		
– programming library	**81,934**	91,092				
Depreciation	**289,362**	296,826	**243,597**	201,758		
Amortisation	**94,485**	152,728				

Note 3 Segment information *(continued)*

Geographical segments

No geographical segment information is shown, as during the periods presented, less than 10% of the Group's segment revenue, segment result and segment assets are derived from activities conducted outside Hong Kong.

Note 4 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2003 HK$'000	2002 HK$'000
Interest income		
Interest income from listed investments	**(205)**	(1,402)
Interest income from deposits with banks and other financial institutions	**(8,280)**	(24,259)
Other interest income	**–**	(694)
	(8,485)	(26,355)
Finance costs		
Interest expenses on bank loans and overdrafts repayable within five years	**4,843**	1,861
Interest expenses on convertible bonds repayable within five years	**10,767**	60,602
	15,610	62,463
Other items		
Depreciation:		
– assets held for use in operating leases	**71,346**	59,265
– others	**467,253**	444,993
Amortisation of programming library*	**95,152**	152,861
Cost of inventories	**21,093**	12,671
Rentals payable under operating leases in respect of land and buildings	**42,603**	43,271
Contribution to defined contribution plans	**27,110**	35,405
Impairment loss on investments	**–**	72,870
Auditors' remuneration	**1,981**	2,035
Rentals receivable under operating leases in respect of:		
– subleased land and buildings	**(5,392)**	(5,773)
– owned plant and machinery	**(55,491)**	(27,865)
Net realised gain on disposal of listed investments	**(99)**	(469)

* *Amortisation of programming library is included within programming costs in the consolidated results of the Group.*

Note 4 Profit before taxation *(continued)*

Operating expenses are analysed by nature in compliance with SSAP 1, "Presentation of Financial Statements" as follows:

	2003 HK$'000	2002 HK$'000
Depreciation and amortisation (including amortisation of programming library)	**633,751**	657,119
Staff costs	**647,313**	620,276
Other operating expenses	**611,139**	656,958
Total operating costs	**1,892,203**	1,934,353

Note 5 Non-operating expenses

These comprise:

	2003 HK$'000	2002 HK$'000
Net loss on disposal of property, plant and equipment	**7,593**	198
Net realised exchange loss on foreign currency deposits	**2,292**	–
	9,885	198

Note 6 Income tax in the consolidated profit and loss account

(a) Taxation in the consolidated profit and loss account represents:

	2003 HK$'000	2002 HK$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**139,933**	10,827
Over provision in respect of prior year	**–**	(4)
	139,933	10,823
Current tax – Overseas		
Tax for the year	**5**	–
Deferred tax		
Reversal of temporary differences	**(138,683)**	(10,823)
Effect of increase in tax rate on deferred tax balances at January 1	**11,887**	–
	(126,796)	(10,823)
	13,142	–

In March 2003, the Government of Hong Kong SAR announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5% starting from the 2003/04 year of assessment. This increase is taken into account in the preparation of the Group's 2003 accounts. Accordingly, the provision for Hong Kong Profits Tax for 2003 is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year. Taxation for the overseas subsidiary is charged at the appropriate current rate of taxation ruling in the relevant country.

Note 6 Income tax in the consolidated profit and loss account *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2003 **%**	2002 %
Statutory income tax rate	**17.5**	16.0
Tax effect of non-deductible expenses	**1.0**	12.2
Tax effect of non-taxable revenue	**(3.7)**	(13.1)
Utilisation of unrecognised tax losses of previous years	**(14.3)**	(15.1)
Effect on opening deferred tax balances resulting from increase in tax rate during the year	**5.1**	–
Effective income tax rate	**5.6**	–

Note 7 Directors' emoluments

Details of Directors' emoluments are as follows:

	2003 **HK$'000**	2002 HK$'000
Fees	**143**	142
Basic salaries, housing and other allowances, and benefits in kind	**3,417**	2,210
Retirement scheme contributions	**213**	121
Discretionary bonuses and/or performance related bonuses	**4,142**	5,163
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	7,915	7,636

Included in the Directors' emoluments were fees of HK$88,000 (2002: HK$100,000) payable to the independent non-executive Directors at the rate of HK$20,000 (2002: HK$20,000) per Director per annum. No other emoluments or expense reimbursements (2002: HK$29,000) were paid to the independent non-executive Directors.

Except Directors' fees of HK$143,000 (2002: HK$142,000), all of the Directors' emoluments disclosed above were paid directly by the Company's ultimate holding company, The Wharf (Holdings) Limited ("Wharf"), (or its wholly owned subsidiaries) to the relevant Directors. Wharf recovered such costs from the Group by charging a management fee (see Note 36(v)).

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme and Wharf's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme of the Company" in Disclosure of Further Corporate Information.

Note 7 Directors' emoluments *(continued)*

The emoluments of the Directors are within the following bands:

HK$	**2003 Number of directors**	2002 Number of directors
Nil – 1,000,000	**7**	7
1,500,001 – 2,000,000	**1**	–
5,500,001 – 6,000,000	**1**	–
6,500,001 – 7,000,000	**–**	1
	9	8

Note 8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2002: one) is a Director whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other four (2002: four) individuals are as follows:

	2003 HK$'000	2002 HK$'000
Basic salaries, housing and other allowances, and benefits in kind	**8,892**	8,862
Retirement scheme contributions	**534**	694
Discretionary bonuses and/or performance related bonuses	**4,024**	2,920
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	13,450	12,476

The emoluments of the four (2002: four) individuals with the highest emoluments are within the following bands:

HK$	**2003 Number of individuals**	2002 Number of individuals
2,500,001 – 3,000,000	**1**	2
3,000,001 – 3,500,000	**2**	1
3,500,001 – 4,000,000	**1**	1
	4	4

Note 9 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of HK$1,728,000 (2002: HK$456,000) which has been dealt with in the accounts of the Company.

	2003 **HK$'000**	2002 HK$'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's accounts	**1,728**	456
Interim dividend from subsidiaries attributable to the profits of prior years declared and received during the year	**108,000**	–
Company's profit for the year	**109,728**	456

Note 10 Dividends

(a) Dividends attributable to the year

	2003 **HK$'000**	2002 HK$'000
Interim dividend declared and paid of 1.5 cents per share (2002: 1.5 cents per share)	**30,289**	30,289
Final dividend proposed after the balance sheet date of 4 cents per share (2002: 1.5 cents per share)	**80,769**	30,289
	111,058	60,578

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

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2003 **HK$'000**	2002 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents per share (2002: 2.5 cents per share)	**30,289**	50,350

Note 11 Basic and diluted earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$220,458,000 (2002: HK$117,259,000) and the weighted average number of ordinary shares outstanding during the year of 2,019,234,400 (2002: 2,016,284,165).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK$220,458,000 (2002: HK$117,259,000) and the weighted average number of ordinary shares of 2,019,234,400 (2002: 2,026,931,374) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2003 Number of shares	2002 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,019,234,400**	2,016,284,165
Deemed issue of ordinary shares for no consideration under the Company's share option scheme	**–**	10,647,209
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,019,234,400**	2,026,931,374

The Company's convertible bonds were all redeemed at par in 2003. During 2002, the potential issue of ordinary shares in connection with the Company's convertible bonds would not give rise to a decrease in earnings per share. Accordingly, the convertible bonds had no dilutive effect on the calculation of diluted earnings per share for both 2002 and 2003.

Note 12 Change in accounting policy

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from January 1, 2003, in order to comply with SSAP 12 (revised) "Income taxes" issued by the HKSA, the Group has adopted a new policy for deferred tax as set out in Note 1(k).

The new accounting policy has been adopted retrospectively with the debit balance of revenue reserve as at January 1, 2002 restated and reduced by HK$13 million. The comparative information has been adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

Note 13 Property, plant and equipment

	Group						
	Network, decoders, cable modems and television production systems	Furniture, fixtures, other equipment and motor vehicles	Leasehold land and buildings in Hong Kong				
			Long lease	Medium lease	Short lease	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At January 1, 2003	4,926,874	473,575	3,306	2,673	70	278,648	5,685,146
Additions	382,526	43,658	–	–	–	11,242	437,426
Disposals	(204,626)	(3,033)	–	–	–	(8,681)	(216,340)
Reclassification	(11,205)	–	–	–	–	–	(11,205)
At December 31, 2003	**5,093,569**	**514,200**	**3,306**	**2,673**	**70**	**281,209**	**5,895,027**
Accumulated depreciation							
At January 1, 2003	2,842,491	381,117	1,065	147	70	158,067	3,382,957
Charge for the year	482,488	30,557	76	67	–	25,411	538,599
Impairment loss	5,169	565	–	–	–	–	5,734
Written back on disposals	(190,138)	(2,937)	–	–	–	(6,513)	(199,588)
Reclassification	(2,404)	–	–	–	–	–	(2,404)
At December 31, 2003	**3,137,606**	**409,302**	**1,141**	**214**	**70**	**176,965**	**3,725,298**
Net book value							
At December 31, 2003	**1,955,963**	**104,898**	**2,165**	**2,459**	**–**	**104,244**	**2,169,729**
At December 31, 2002	2,084,383	92,458	2,241	2,526	–	120,581	2,302,189

As at December 31, 2003, the gross carrying amounts of property, plant and equipment of the Group held for use in operating leases were HK$331,896,000 (2002: HK$322,921,000) and the related accumulated depreciation was HK$151,377,000 (2002: HK$132,796,000).

Note 14 Programming library

	Group HK$'000
Cost	
At January 1, 2003	480,397
Programming licences and rights acquired	88,472
Written off	(136,357)
At December 31, 2003	**432,512**
Accumulated amortisation	
At January 1, 2003	331,546
Charge for the year	95,152
Written off	(136,357)
At December 31, 2003	**290,341**
Net book value	
At December 31, 2003	**142,171**
At December 31, 2002	148,851

Note 15 Non-current investments

	Group	
	2003 HK$'000	2002 HK$'000
Unlisted equity securities	**9,725**	20,957

Note 16 Investments in subsidiaries

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares at cost	**8**	8

Particulars of subsidiaries are set out in Note 32.

Note 17 Deposits with financial institutions

The deposits placed with financial institutions, all matured in 2003, were credit-linked to investment grade debt securities issued by corporates, including a fellow subsidiary.

Note 18 Investments in debt securities

	Group	
	2003 HK$'000	2002 HK$'000
Listed outside Hong Kong, at market value	**–**	15,746

Notes to the Accounts *(continued)*

Note 19 Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and interest free, except for an amount of HK$686,299,000 outstanding at December 31, 2002 which bore interest at rates ranging from 2.03% to 4% per annum, and have no fixed terms of repayment.

Note 20 Inventories

	Group	
	2003	2002
	HK$'000	HK$'000
Spare parts, consumables and equipment held for resale	**33,487**	41,739
Less: Provision for obsolescence	**(15,976)**	(17,262)
	17,511	24,477

Included in spare parts, consumables and equipment held for resale are inventories of HK$17,511,000 (2002: HK$24,477,000) stated net of provision made in order to value these inventories at the lower of their cost and estimated net realisable value.

Note 21 Accounts receivable from trade debtors

An ageing analysis of accounts receivable from trade debtors (net of allowance for doubtful accounts) is set out as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0 to 30 days	**67,615**	63,700
31 to 60 days	**19,526**	12,951
61 to 90 days	**12,530**	6,327
Over 90 days	**12,383**	6,502
	112,054	89,480

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days.

Note 22 Amounts due from fellow subsidiaries

Amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand.

Note 23 Interest-bearing borrowings

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Convertible bonds	**–**	300,000	**–**	300,000
Unsecured bank loans	**–**	386,299	**–**	386,299
Due within one year included under current liabilities	**–**	686,299	**–**	686,299

At December 31, 2002, convertible bonds of principal value HK$300 million were held by the Wharf group and were convertible to shares at a price of HK$11.95 per share. The term of the bonds was four years from November 24, 1999, the date on which the Company's shares commenced trading on The Stock Exchange of Hong Kong Limited. Interest was payable at the rate of 4% per annum, semi-annually in arrears.

The Company redeemed the convertible bonds at par upon their maturity on November 23, 2003.

Note 24 Amounts due to trade creditors

An ageing analysis of amounts due to trade creditors is set out as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
0 to 30 days	**17,493**	13,746
31 to 60 days	**7,952**	15,304
61 to 90 days	**14,125**	16,560
Over 90 days	**8,950**	7,838
	48,520	53,448

Note 25 Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest free, and have no fixed terms of repayment.

Note 26 Amounts due to fellow subsidiaries

Amounts due to fellow subsidiaries are unsecured, interest free, and repayable on demand.

Note 27 Amount due to immediate holding company

Amount due to immediate holding company is unsecured, interest free, and has no fixed terms of repayment.

Note 28 Current assets and current liabilities

Included under current assets and current liabilities are amounts which are expected to be recovered/settled after more than one year as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories	**5,258**	21,518	**–**	–
Accounts receivable from trade debtors	**61**	–	**–**	–
Deposits, prepayments and other receivables	**12,982**	6,418	**–**	–
Amounts due from fellow subsidiaries	**2,292**	7,510	**–**	–
Accrued expenses and other payables	**(1,712)**	(15,785)	**–**	–
Receipts in advance and customers' deposits	**(82,444)**	(94,797)	**–**	–
Amounts due to fellow subsidiaries	**(44)**	–	**–**	–

Note 29 Equity compensation benefits

Pursuant to the Company's share option scheme, the Board of Directors is authorised to grant options to eligible employees to subscribe for ordinary shares of the Company at prices as determined by the Board of Directors in accordance with the terms of the scheme.

Details of the share option scheme are disclosed under the paragraph "Share Option Scheme of the Company" in Disclosure of Further Corporate Information.

(a) Movements in share options

	2003	2002
	Number	Number
At January 1	**58,543,600**	66,843,000
Issued	**–**	380,000
Exercised	**–**	(5,234,400)
Lapsed	**(29,752,100)**	(3,445,000)
At December 31	**28,791,500**	58,543,600
Options vested at December 31	**10,170,300**	18,520,500

Note 29 Equity compensation benefits *(continued)*

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Exercise price	2003 Number	2002 Number
February 8, 2000	April 1, 2001 to December 31, 2009	HK$10.49	**16,270,000**	17,820,000
February 19, 2001	July 1, 2002 to December 31, 2003	HK$3.30	**–**	27,243,800
February 19, 2001	July 1, 2002 to December 31, 2005	HK$3.30	**12,141,500**	13,099,800
October 9, 2002	January 1, 2004 to December 31, 2005	HK$3.30	**380,000**	380,000
			28,791,500	58,543,600

(c) No share options were granted during the year. Details of share options granted during 2002 at a consideration of HK$10 were:

Date granted	Exercise period	Exercise price	2002 Number
October 9, 2002	January 1, 2004 to December 31, 2005	HK$3.30	380,000

(d) During the year, no share options were exercised. Details of share options exercised during 2002 were:

Exercise period	Exercise price	Market value per share at exercise date	Proceeds received	Number of shares
July 2, 2002 to September 13, 2002	HK$3.30	Range from HK$3.60 to HK$4.75	HK$17,273,000	5,234,000

Note 30 Share capital

	2003 No. of shares '000	2003 HK$'000	2002 No. of shares '000	2002 HK$'000
Authorised				
Ordinary shares of HK$1 each	**8,000,000**	**8,000,000**	8,000,000	8,000,000
Issued and fully paid				
At January 1	**2,019,234**	**2,019,234**	2,014,000	2,014,000
Shares issued under share option scheme	**–**	**–**	5,234	5,234
At December 31	**2,019,234**	**2,019,234**	2,019,234	2,019,234

During 2002, options were exercised to subscribe for 5,234,000 ordinary shares in the Company at a consideration of HK$17,273,000, of which HK$5,234,000 was credited to share capital and the balance of HK$12,039,000 was credited to the share premium account. No options were exercised during 2003.

Note 31 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	Group	
	2003 **HK$'000**	2002 HK$'000
Provision for Hong Kong Profits Tax for the year	**139,933**	10,827
Overseas taxation	**5**	–
Provisional Profits Tax paid	**(8,883)**	(8,820)
	131,055	2,007

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At January 1, 2002			
– as previously reported	150,619	–	150,619
– prior period adjustments	112,106	(125,106)	(13,000)
– as restated	262,725	(125,106)	137,619
Charged/(credited) to consolidated profit and loss account *(Note 6(a))*	1,710	(12,533)	(10,823)
At December 31, 2002 (restated)	264,435	(137,639)	126,796
Credited to consolidated profit and loss account *(Note 6(a))*	(13,199)	(113,597)	(126,796)
At December 31, 2003	**251,236**	**(251,236)**	**–**

	2003 **HK$'000**	2002 HK$'000 (restated)
Net deferred tax assets recognised on the balance sheet	**(112,600)**	(107,198)
Net deferred tax liabilities recognised on the balance sheet	**112,600**	233,994
	–	126,796

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of the following:

	2003 **HK$'000**	2002 HK$'000 (restated)
Future benefit of tax losses	**954,093**	902,275
Provision for obsolete inventories	**35**	32
	954,128	902,307

Note 32 Particulars of subsidiaries

The subsidiaries of the Company at December 31, 2003 were as follows:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Percentage of ordinary shares held Directly	Indirectly
Apex Victory Limited	British Virgin Islands	Programme licensing	500 ordinary shares of US$1 each	100	–
Cable Network Communications Limited	Hong Kong	Investment holding	100 ordinary shares of HK$1 each	100	–
			2 non-voting deferred shares of HK$1 each	–	–
Hong Kong Cable Enterprises Limited	Hong Kong	Advertising airtime, programme licensing and channel carriage service	2 ordinary shares of HK$1 each	–	100
Hong Kong Cable Television Limited	Hong Kong	Pay television services	1,000,000,000 ordinary shares of HK$1 each	–	100
i-CABLE Cineplex Limited	Hong Kong	Inactive	10,000,000 ordinary shares of HK$1 each	–	100
i-CABLE China Limited	British Virgin Islands	Inactive	500 ordinary shares of US$1 each	–	100
i-CABLE Network Limited	Hong Kong	Network operation services	100 ordinary shares of HK$1 each	–	100
			2 non-voting deferred shares of HK$1 each	–	–
i-CABLE Satellite Television Limited	Hong Kong	Non-domestic television services and programme licensing	2 ordinary shares of HK$1 each	–	100
i-CABLE WebServe Limited	Hong Kong	Internet and multimedia services	2 ordinary shares of HK$1 each	–	100
i-CABLE Ventures Limited	British Virgin Islands	Investment holding	500 ordinary shares of US$1 each	100	–
Kreuger Assets Limited	British Virgin Islands	Investment holding	500 ordinary shares of US$1 each	–	100

Note 32 Particulars of subsidiaries *(continued)*

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Percentage of ordinary shares held Directly	Indirectly
Maspon Company Limited	Hong Kong	Investment holding	100 ordinary shares of HK$1 each	–	100
			2 non-voting deferred shares of HK$1 each	–	–
Moscan Assets Limited	British Virgin Islands	Investment holding	500 ordinary shares of US$1 each	–	100
New Television and Film International Limited	Hong Kong	Inactive	2 ordinary shares of HK$10 each	–	100
Rediffusion Engineering Limited	Hong Kong	Systems installation and operation	100 ordinary shares of HK$1 each	–	100
			2 non-voting deferred shares of HK$1 each	–	–
Rediffusion (Hong Kong) Limited	Hong Kong	Cable television relay services	100 ordinary shares of GBP0.50 each	–	100
			40,000 non-voting deferred shares of GBP0.50 each	–	–
Rediffusion Satellite Services Limited	Hong Kong	Satellite television systems	1,000 ordinary shares of HK$10 each	–	100
Riddlewood Company Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	–	100
Wisdom Global Holdings Limited	British Virgin Islands	Investment holding	500 ordinary shares of US$1 each	–	100
*廣州市寬訊技術服務有限公司	The People's Republic of China	Technical services	HK$1,000,000	–	100

Details of partnerships held indirectly through subsidiaries at December 31, 2003 were as follows:

Name of partnership	Law under which incorporated	Principal activities	Percentage of interest
The Cable Leasing Partnership	Hong Kong	Leasing	100
The Network Leasing Partnership	Hong Kong	Leasing	100

* *Company not audited by KPMG.*

Note 33 Operating leases

(a) Significant leasing arrangements

The Group leases a number of premises under operating leases for use as office premises, carparks, warehouses, district centres, retail shops, remote camera sites, multipoint microwave distribution system transmission sites and hub sites. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of three to fifteen years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every two to three years to reflect market rentals. None of the leases includes contingent rentals.

Some of the leased properties have been sublet by the Group under operating leases. The terms of the subleases vary and may be renewable on a monthly basis or run for an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group leases out cable modem equipment to subscribers under operating leases. Prior to June 2002, the terms of the leases varied and ran for an initial period of not more than twelve months with automatic renewal on a year-to-year basis at rates prevailing at the time of expiry, unless terminated by the lessees by giving 30 days' written notice prior to the lease expiry date. With effect from June 2002, the terms of the leases were revised to become renewable on a monthly basis. The Group also leases out decoders to cable television subscribers under operating leases starting from year 2002 with the leases renewable on a monthly basis. None of the leases includes contingent rentals.

(b) Operating lease commitments

At December 31, 2003, the total future minimum lease payments payable under non-cancellable operating leases are payable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**31,982**	35,366	**–**	–
After one year but within five years	**46,235**	81,633	**–**	–
After five years	**–**	2,753	**–**	–
	78,217	119,752	**–**	–

(c) Future operating lease income

(i) The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2003 amounted to HK$6,037,000 (2002: HK$9,412,000).

(ii) The total future minimum lease payments receivable in respect of cable modem equipment and decoders under non-cancellable operating leases are as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,735**	1,829	**–**	–

Note 34 Capital commitments

Capital commitments outstanding as at December 31, 2003 not provided for in the accounts were as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised and contracted for				
– Plant and equipment	**78,240**	61,006	**–**	–
– Programming rights	**58,659**	13	**–**	–
	136,899	61,019	**–**	–
Authorised but not contracted for				
– Plant and equipment	**154,487**	77,871	**–**	–
– Programming rights	**25,652**	13,672	**–**	–
	180,139	91,543	**–**	–

Note 35 Contingent liabilities

As at December 31, 2003, there were contingent liabilities in respect of the following:

(i) Nil amount of performance bond (2002: HK$10 million) given to the Telecommunications Authority of Hong Kong as required under the Group's fixed telecommunications network services licence.

(ii) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.

(iii) Guarantees, indemnities and letters of awareness to banks totalling HK$185 million (2002: HK$19 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at December 31, 2003, HK$55 million (2002: HK$7 million) was utilised by the subsidiaries.

(iv) The Group is currently in discussion with the Inland Revenue Department regarding the deductibility of certain interest payments claimed in previous years' tax computations. The outcome of the discussion is uncertain. The management of the Group is of the view that there are ample grounds to support the deductibility of the interest expense and accordingly, no provision has been made in this respect. In addition, the immediate holding company has indemnified the Group against any liability for tax which may arise in consequence of an event occurring on or before November 1, 1999. It is estimated that the maximum tax exposure at December 31, 2003 amounted to HK$106 million (2002: HK$99 million), of which HK$64 million (2002: HK$64 million) will be indemnified by the immediate holding company.

(v) During the year, the Group entered into a forward foreign exchange contract with a financial institution to hedge certain firmly committed, non-Hong Kong dollar commercial transactions in 2004. The Group had, as at December 31, 2003, an outstanding forward contract to buy foreign currency with a notional principal value of HK$5.8 million equivalent.

Note 36 Related party transactions

The following represent material related party transactions between the Group and related parties during the year ended December 31, 2003:

	2003 HK$'000	2002 HK$'000
Interest expenses on convertible bonds held by the Wharf group *(Note (i))*	**10,767**	60,602
Rentals payable and related management fees on land and buildings *(Note (ii))*	**38,360**	40,551
Rentals receivable on land and buildings *(Note (iii))*	**(4,455)**	(4,446)
Network repairs and maintenance services charge *(Note (iv))*	**(21,344)**	(20,556)
Management fees *(Note (v))*	**11,634**	13,423
Computer services *(Note (vi))*	**14,158**	12,236
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges *(Note (vii))*	**24,496**	23,799
Project management fees *(Note (viii))*	**(7,135)**	(7,558)

Notes:

(i) This represents interest expenses on convertible bonds held by the Wharf group.

(ii) These represent rentals and related management fees paid to fellow subsidiaries in respect of office premises, car parks, warehouses, district centres, retail shops and hub sites. As at December 31, 2003, related rental deposits amounted to HK$7,513,000 (2002: HK$8,711,000).

(iii) This represents rental received from a fellow subsidiary in respect of the lease of office premises.

(iv) This represents service charges to a fellow subsidiary in relation to the operation, repair and maintenance of ducts, cables and ancillary equipment.

(v) This represents costs incurred by a fellow subsidiary on the Group's behalf which were recharged to the Group.

(vi) This represents service charges paid to a fellow subsidiary for computer system maintenance and consulting services provided.

(vii) This represents service fees paid to a fellow subsidiary in respect of the leasing of datalines, PNETS charges and international bandwidth access charges incurred.

(viii) This represents fees received from a fellow subsidiary for the provision of project management services.

Included in Note 13 were additions to property, plant and equipment totalling HK$920,000 (2002: HK$1,397,000) constructed by a fellow subsidiary on behalf of the Group during the year ended December 31, 2003.

During 2002, the Company has redeemed at face value a portion of the convertible bonds in the principal amount of HK$1,500 million. The early redemption was approved by independent shareholders at an extraordinary general meeting held on October 22, 2002. On November 23, 2003, the remaining portion of the convertible bonds of HK$300 million were redeemed at their principal amount upon maturity.

The immediate holding company has issued deeds of indemnity in respect of certain litigation, taxation and costs arising in respect of the period prior to the Reorganisation. The Group is not charged for these indemnities.

Notes to the Accounts *(continued)*

Note 37 Post balance sheet event

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

Note 38 Comparative figures

Comparative figures have been adjusted as a result of the change in accounting policy for deferred taxation, details of which are set out in note 12.

Note 39 Ultimate holding company

The Directors consider the ultimate holding company at December 31, 2003 to be The Wharf (Holdings) Limited, which is incorporated in Hong Kong.

Note 40 Approval of accounts

The accounts were approved and authorised for issue by the Directors on March 11, 2004.