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 Institute of Certified Public Accountants ("HKICPA"), 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 currently 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).

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.

1. Significant accounting policies *(continued)*

(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. The 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 HKICPA, 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 costs

(i) 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.

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.

(ii) Live programmes

Live programmes consist of third party feed programmes and are charged to the profit and loss account upon telecast of the programmes. Payments made in advance or in arrears of programme costs recognised are recorded as prepayments or accruals, as appropriate.

(iii) In-house developed programmes

In-house developed programmes consist primarily of news, documentary and general entertainment programmes which take a short time from production to telecast. Accordingly, the costs of in-house developed programmes are written off in the period in which they are incurred.

1. Significant accounting policies *(continued)*

(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 services, Internet services, and Internet Protocol Point wholesale 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.

(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.

1. Significant accounting policies *(continued)*

(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 substantially 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.

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.

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.

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.

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 non-domestic television services and programme licensing business, 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.

2. Turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 29 to the accounts.

Turnover comprises principally subscription and installation fees for cable television and Internet services, Internet Protocol Point wholesale services and also includes equipment rental, advertising income net of agency deductions, marketing contributions, channel service fees, channel distribution 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, portal and mobile content service income, television magazine sales, late payment charges to subscribers and similar income.

3. Segment information

Business segments

	Segment revenue 2004 HK$'000	Segment revenue 2003 HK$'000	Segment result 2004 HK$'000	Segment result 2003 HK$'000
Pay television	**1,888,448**	1,734,208	**468,868**	444,138
Internet and multimedia	**480,574**	408,605	**(44,227)**	(84,775)
Unallocated	**6,133**	–	**(128,924)**	(108,753)
Inter-segment elimination	**(3,428)**	–	**–**	–
	2,371,727	2,142,813		
Profit from operations			**295,717**	250,610
Interest income			**24**	8,485
Finance costs			**(238)**	(15,610)
Income tax			**(12,665)**	(13,142)
Non-operating income/(expenses)			**1,499**	(9,885)
Profit attributable to shareholders			**284,337**	220,458

	Segment assets 2004 HK$'000	Segment assets 2003 HK$'000	Segment liabilities 2004 HK$'000	Segment liabilities 2003 HK$'000
Pay television	**1,578,387**	1,616,550	**527,595**	539,354
Internet and multimedia	**803,767**	881,402	**151,504**	181,550
	2,382,154	2,497,952	**679,099**	720,904
Unallocated assets/liabilities	**281,932**	182,899	**157,348**	275,299
	2,664,086	2,680,851	**836,447**	996,203

Other information

	Property, plant and equipment 2004 HK$'000	Property, plant and equipment 2003 HK$'000	Programming library 2004 HK$'000	Programming library 2003 HK$'000	Depreciation 2004 HK$'000	Depreciation 2003 HK$'000	Amortisation 2004 HK$'000	Amortisation 2003 HK$'000
Pay television	**243,330**	251,533	**65,358**	81,934	**279,263**	289,362	**84,822**	94,485
Internet and multimedia	**182,575**	173,992			**247,300**	243,597		

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.

4. Profit before taxation

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

	2004 HK$'000	2003 HK$'000
Interest income		
Interest income from listed investments	–	(205)
Interest income from deposits with banks and other financial institutions	(24)	(8,280)
	(24)	(8,485)
Finance costs		
Interest expenses on bank loans and overdrafts repayable within five years	238	4,843
Interest expenses on convertible bonds repayable within five years	–	10,767
	238	15,610
Other items		
Depreciation:		
– assets held for use in operating leases	59,211	71,346
– others	472,902	467,253
Amortisation of programming library*	92,860	95,152
Cost of inventories	21,866	21,093
Rentals payable under operating leases in respect of land and buildings	41,160	42,603
Contribution to defined contribution plans	26,700	27,110
Auditors' remuneration	2,147	1,981
Rentals receivable under operating leases in respect of:		
– subleased land and buildings	(4,725)	(5,392)
– owned plant and machinery	(93,733)	(55,491)
Net realised gain on disposal of listed investments	–	(99)

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

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

	2004 HK$'000	2003 HK$'000
Depreciation and amortisation (including amortisation of programming library)	624,973	633,751
Staff costs	669,959	647,313
Other operating expenses	781,078	611,139
Total operating costs	2,076,010	1,892,203

5. Non-operating income/(expenses)

These comprise:

	2004 HK$'000	2003 HK$'000
Net gain/(loss) on disposal of property, plant and equipment	1,499	(7,593)
Net realised exchange loss on foreign currency deposits	–	(2,292)
	1,499	(9,885)

6. Income tax in the consolidated profit and loss account

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

	2004 HK$'000	2003 HK$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**–**	139,933
Under provision in respect of prior year	**589**	–
	589	139,933
Current tax – Overseas		
Tax for the year	**76**	5
Provision for protective assessments on leasing partnerships	**12,000**	–
Deferred tax		
Reversal of temporary differences	**–**	(138,683)
Effect of increase in tax rate on deferred tax balances at January 1	**–**	11,887
	–	(126,796)
	12,665	13,142

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year. Taxation for the overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant country.

In 2003, a provision amounting to HK$139,933,000 was made upon the crystallisation of a deferred tax liability provided for pursuant to a leveraged leasing arrangement the Group had entered into during 1993 to 1995 which expired in September 2003. An additional HK$11,887,000 provision was also made for the effect of an increase in tax rate to 17.5% from 16% previously assumed in the deferred tax liability's original measurement.

The Group is in discussion with the Inland Revenue Department ("IRD") regarding previous years' tax affairs of The Cable Leasing Partnership and The Network Leasing Partnership ("the Partnerships") under the Group, pursuant to the said leveraged leasing arrangement.

To preserve its right under the dispute, the IRD has issued protective assessments up to HK$272 million against various Group entities for the period from 1995/96 to 2003/04. The Group has since objected to the assessments and the IRD has granted unconditional holdover for HK$247 million of the assessment amount, and conditional holdover for the remaining HK$25 million. For the latter, the Partnerships have purchased HK$18 million Tax Reserve Certificates ("TRCs") before December 31, 2004 and HK$7 million after yearend, in satisfaction of the holdover condition.

The management is of the view that the Group's maximum tax exposure as at December 31, 2004 under the protective assessments would amount to HK$106 million, of which up to HK$64 million would be indemnified by Wharf Communications Limited as tax liability pertaining to events occurring up to the Group's Initial Public Offering on November 1, 1999, such that the contingent tax exposure for the Group is estimated at HK$42 million.

Although the outcome of the discussions is still uncertain, the management considers that there are grounds to contest the protective assessments and will pursue this case vigorously, unless a compromised settlement can be reached with the IRD. Notwithstanding the foregoing, on the grounds of prudence, based on a counter-offer under contemplation, the management has decided to make a provision of HK$12 million in 2004 (2003: Nil) for the Group's expected share of the tax liability.

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

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

	2004	2003
	%	%
Statutory income tax rate	**17.5**	17.5
Tax effect of non-deductible expenses	**0.2**	1.0
Tax effect of non-taxable revenue	**(0.3)**	(3.7)
Under provision in prior year	**0.2**	–
Utilisation of unrecognised tax losses of previous years	**(17.4)**	(14.3)
Tax effect of protective assessments on leasing partnerships	**4.1**	–
Effect on opening deferred tax balances resulting from increase in tax rate during the year	**–**	5.1
Effective income tax rate	**4.3**	5.6

7. Directors' emoluments

Details of Directors' emoluments are as follows:

	2004	2003
	HK$'000	HK$'000
Fees	**145**	143
Basic salaries, housing and other allowances, and benefits in kind	**3,897**	3,417
Retirement scheme contributions	**262**	213
Discretionary bonuses and/or performance related bonuses	**4,943**	4,142
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	9,247	7,915

Included in the Directors' emoluments were fees of HK$85,000 (2003: HK$88,000) payable to the independent non-executive Directors, at the rate of HK$20,000 (2003: HK$20,000) per Director per annum.

Except Directors' fees of HK$145,000 (2003: HK$143,000), certain 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 32(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.

The emoluments of the Directors are within the following bands:

HK$	**2004 Number of directors**	2003 Number of directors
Nil–1,000,000	**6**	7
1,500,001–2,000,000	**–**	1
2,500,001–3,000,000	**1**	–
5,500,001–6,000,000	**–**	1
6,000,001–6,500,000	**1**	–
	8	9

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2003: one) is a Director whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other four (2003: four) individuals are as follows:

	2004 HK$'000	2003 HK$'000
Basic salaries, housing and other allowances, and benefits in kind	**8,907**	8,892
Retirement scheme contributions	**499**	534
Discretionary bonuses and/or performance related bonuses	**4,073**	4,024
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	13,479	13,450

The emoluments of the four (2003: four) individuals with the highest emoluments are within the following bands:

HK$	**2004 Number of individuals**	2003 Number of individuals
2,500,001–3,000,000	**1**	1
3,000,001–3,500,000	**1**	2
3,500,001–4,000,000	**2**	1
	4	4

9. Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a loss of HK$251,000 (2003: a profit of HK$1,728,000) which has been dealt with in the accounts of the Company.

	2004 HK$'000	2003 HK$'000
Amount of consolidated (loss)/profit attributable to shareholders dealt with in the Company's accounts	**(251)**	1,728
Final dividend from subsidiaries attributable to the profits of prior years declared and received during the year	**58,671**	108,000
Interim dividend from subsidiaries attributable to the profits of current year declared and received during the year	**18,900**	–
Company's profit for the year	**77,320**	109,728

10. Dividends

(a) Dividends attributable to the year

	2004 HK$'000	2003 HK$'000
Interim dividend declared and paid of 3 cents per share (2003: 1.5 cents per share)	**60,577**	30,289
Final dividend proposed after the balance sheet date of 4.5 cents per share (2003: 4 cents per share)	**90,866**	80,769
	151,443	111,058

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

10. Dividends *(continued)*

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

	2004	2003
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 4 cents per share (2003: 1.5 cents per share)	**80,769**	30,289

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$284,337,000 (2003: HK$220,458,000) and the weighted average number of ordinary shares outstanding during the year of 2,019,234,400 (2003: 2,019,234,400).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK$284,337,000 (2003: HK$220,458,000) and the weighted average number of ordinary shares of 2,019,234,400 (2003: 2,019,234,400) after adjusting for the effects of all dilutive potential ordinary shares.

No share options were exercised in the current and prior years. Accordingly this has no dilutive effect on the number of shares for both years.

12. Property, plant and equipment

	Group						
			Leasehold land and buildings in Hong Kong				
	Network, decoders, cable modems and television production systems	**Furniture, fixtures, other equipment and motor vehicles**	**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, 2004	5,093,569	514,200	3,306	2,673	70	281,209	5,895,027
Additions	389,165	33,329	–	–	–	5,982	428,476
Disposals	(303,271)	(5,520)	–	–	–	–	(308,791)
Reclassification	(10,185)	–	–	–	–	–	(10,185)
At December 31, 2004	**5,169,278**	**542,009**	**3,306**	**2,673**	**70**	**287,191**	**6,004,527**
Accumulated depreciation							
At January 1, 2004	3,137,606	409,302	1,141	214	70	176,965	3,725,298
Charge for the year	471,596	34,196	76	67	–	26,178	532,113
Impairment loss	3,236	588	–	–	–	–	3,824
Written back on disposals	(299,785)	(5,344)	–	–	–	–	(305,129)
Reclassification	(2,366)	–	–	–	–	–	(2,366)
At December 31, 2004	**3,310,287**	**438,742**	**1,217**	**281**	**70**	**203,143**	**3,953,740**
Net book value							
At December 31, 2004	**1,858,991**	**103,267**	**2,089**	**2,392**	**–**	**84,048**	**2,050,787**
At December 31, 2003	1,955,963	104,898	2,165	2,459	–	104,244	2,169,729

As at December 31, 2004, the gross carrying amounts of property, plant and equipment of the Group held for use in operating leases were HK$284,583,000 (2003: HK$331,896,000) and the related accumulated depreciation was HK$114,499,000 (2003: HK$151,377,000).

13. Programming library

	Group HK$'000
Cost	
At January 1, 2004	432,512
Additions	78,000
Written off	(121,149)
At December 31, 2004	**389,363**
Accumulated amortisation	
At January 1, 2004	290,341
Charge for the year	92,860
Written off	(121,149)
At December 31, 2004	**262,052**
Net book value	
At December 31, 2004	**127,311**
At December 31, 2003	142,171

14. Non-current investments

	Group	
	2004 HK$'000	2003 HK$'000
Unlisted equity securities	**9,725**	9,725

15. Investments in subsidiaries

	Company	
	2004 HK$'000	2003 HK$'000
Unlisted shares at cost	**12**	8

Particulars of subsidiaries are set out in Note 29.

16. Amounts due from subsidiaries

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

17. Inventories

	Group	
	2004	2003
	HK$'000	HK$'000
Spare parts and consumables	**36,271**	33,487
Less: Provision for obsolescence	**(20,076)**	(15,976)
	16,195	17,511

Included in spare parts and consumables are inventories of HK$16,195,000 (2003: HK$17,511,000) stated net of provision made in order to value these inventories at the lower of their cost and estimated net realisable value.

18. 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	
	2004	2003
	HK$'000	HK$'000
0 to 30 days	**75,521**	67,615
31 to 60 days	**19,612**	19,526
61 to 90 days	**13,588**	12,530
Over 90 days	**9,516**	12,383
	118,237	112,054

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

19. Amounts due from fellow subsidiaries

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

20. Amounts due to trade creditors

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

	Group	
	2004	2003
	HK$'000	HK$'000
0 to 30 days	**5,490**	17,493
31 to 60 days	**21,814**	7,952
61 to 90 days	**26,989**	14,125
Over 90 days	**55,009**	8,950
	109,302	48,520

21. Amounts due to subsidiaries

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

22. Amounts due to fellow subsidiaries

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

23. Amount due from/to immediate holding company

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

24. 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	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories	**4,969**	5,258	**–**	–
Accounts receivable from trade debtors	**85**	61	**–**	–
Deposits, prepayments and other receivables	**42,306**	12,982	**–**	–
Amounts due from fellow subsidiaries	**1,416**	2,292	**–**	–
Accrued expenses and other payables	**(1,900)**	(1,712)	**–**	–
Receipts in advance and customers' deposits	**(84,531)**	(82,444)	**–**	–
Amounts due to fellow subsidiaries	**(36)**	(44)	**–**	–

25. 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

	2004	2003
	Number	Number
At January 1	**28,791,500**	58,543,600
Lapsed	**(1,079,900)**	(29,752,100)
At December 31	**27,711,600**	28,791,500
Options vested at December 31	**15,009,600**	10,170,300

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

			2004	2003
Date granted	**Exercise period**	**Exercise price**	**Number**	Number
February 8, 2000	April 1, 2001 to December 31, 2009	HK$10.49	**15,640,000**	16,270,000
February 19, 2001	July 1, 2002 to December 31, 2005	HK$3.30	**11,691,600**	12,141,500
October 9, 2002	January 1, 2004 to December 31, 2005	HK$3.30	**380,000**	380,000
			27,711,600	28,791,500

(c) No share options were granted or exercised during the current and prior years.

26. Share capital

	2004 HK$'000	2003 HK$'000
Authorised		
8,000,000,000 ordinary shares of HK$1 each	**8,000,000**	8,000,000
Issued and fully paid		
2,019,234,400 ordinary shares of HK$1 each	**2,019,234**	2,019,234

27. Special capital reserve

Pursuant to a written resolution of a subsidiary under the Group, dated November 19, 2004, and with the sanction of an Order of the High Court of the Hong Kong Special Administrative Region dated December 15, 2004 ("date of the capital reduction"), the issued share capital of the subsidiary was reduced from 4,427,266,000 shares of HK$1 each to 750,000,000 shares of HK$1 each (the "Capital Reduction"). The credit arising from the Capital Reduction was applied to eliminate the accumulated losses standing in the profit and loss account of the subsidiary as at September 30, 2004.

An undertaking was given to the Court by the subsidiary in connection with the Capital Reduction (the "Undertaking"). Pursuant to the Undertaking, any future recoveries or reversals of provisions in respect of: 1) assets owned or held under finance and operating leases against which charges to depreciation were made as at September 30, 2004 and 2) provisions made by the subsidiary in respect of certain assets held by the subsidiary as at September 30, 2004, collectively the relevant assets ("relevant assets"), to the extent that such recoveries exceed the written down amounts of the relevant assets, up to an aggregate amount of HK$1,958,524,266, will be credited to a special capital reserve. While any debt or liability of, or claim against, the subsidiary at the date of the Capital Reduction remains outstanding and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits. The subsidiary shall be at liberty to apply the special capital reserve for the same purposes as a share premium account may be applied.

The amount to be credited to the special capital reserve is subject to a limit ("Limit"), which was HK$1,958,524,266 as at the date of the capital reduction. The Limit may be reduced by the amount of any increase in the issued share capital or in the share premium account of the subsidiary resulting from an issue of shares for cash or other consideration or upon a capitalisation of distributable reserves. The subsidiary shall be at liberty to transfer the amount so reduced to the general reserves of the subsidiary and the same shall become available for distribution. The Limit may also be reduced after the disposal or other realisation of any of the relevant assets by the amount of the charge to depreciation or provision made in relation to such asset as at September 30, 2004 less such amount as is credited to the special capital reserve as a result of such disposal or realisation.

In the event that the amount standing to the credit of the special capital reserve exceeds the Limit, the subsidiary shall be at liberty to transfer the amount of any such excess to the general reserves of the subsidiary, which shall become available for distribution.

As at December 31, 2004, the Limit of the special capital reserve, as reduced by HK$916,109 related to recoveries and reversals of provisions of the relevant assets, was HK$1,957,608,157, and the amount standing to the credit of the special capital reserve was HK$3,344,694.

28. Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	Group 2004 HK$'000	Group 2003 HK$'000
Provision for Hong Kong Profits Tax for the year	**–**	139,933
Overseas taxation	**22**	5
Provisional Profits Tax paid	**–**	(8,883)
Provision for protective assessments on leasing partnerships *(Note 6(a))*	**12,000**	–
	12,022	131,055

(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, 2003	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)	–
(Credited)/charged to consolidated profit and loss account *(Note 6(a))*	(12,361)	12,361	–
At December 31, 2004	**238,875**	**(238,875)**	**–**

	2004 **HK$'000**	2003 HK$'000
Net deferred tax assets recognised on the balance sheet	**(108,963)**	(112,600)
Net deferred tax liabilities recognised on the balance sheet	**108,963**	112,600
	–	–

(c) Deferred tax assets not recognised:

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

	2004 **HK$'000**	2003 HK$'000
Future benefit of tax losses	**899,873**	954,093
Provision for obsolete inventories	**35**	35
Provision for bad and doubtful debts	**426**	–
	900,334	954,128

29. Particulars of subsidiaries

The subsidiaries of the Company at December 31, 2004 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	750,000,000 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 Enterprises Limited	British Virgin Islands	Investment holding	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
Maspon Company Limited	Hong Kong	Investment holding	100 ordinary shares of HK$1 each	–	100
			2 non-voting deferred shares of HK$1 each	–	–

29. 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
Moscan Assets Limited	British Virgin Islands	Investment holding	500 ordinary shares of US$1 each	–	100
New Television and Film International Limited (renamed as Hong Kong Cable News Express Limited on February 8, 2005)	Hong Kong	Advertising airtime	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
* 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
* 廣州棟樑材影視技術諮詢有限公司	The People's Republic of China	Market research and consulting services in film and television industries	HK$1,000,000	–	100

Details of partnerships held indirectly through subsidiaries at December 31, 2004 were as follows:

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

* *Company not audited by KPMG.*

30. Commitments

Commitments outstanding as at December 31, 2004 not provided for in the accounts were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments				
– Authorised and contracted for	**17,366**	78,240	**–**	–
– Authorised but not contracted for	**61,313**	154,487	**–**	–
	78,679	232,727	**–**	–
Programming and other commitments				
– Authorised and contracted for	**695,255**	217,294	**–**	–
– Authorised but not contracted for	**80,835**	25,652	**–**	–
	776,090	242,946	**–**	–
Operating lease commitments				
– Within one year	**25,810**	31,982	**–**	–
– After one year but within five years	**32,126**	46,235	**–**	–
– After five years	**60,608**	–	**–**	–
	118,544	78,217	**–**	–
	973,313	553,890	**–**	–

(a) Operating lease commitments

The Group leases a number of premises under operating leases for use as office premises, car parks, 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 and decoders to subscribers under operating leases which are renewable on a monthly basis. None of the leases includes contingent rentals.

30. Commitments *(continued)*

(b) Future operating lease income

(i) The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2004 amounted to HK$4,210,000 (2003: HK$6,037,000).

(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	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Within one year	**9,377**	6,735	**–**	–

(c) Other commitments

During the year, the Group entered into a forward exchange contract with a financial institution to hedge certain firmly committed, non-Hong Kong dollar commercial transactions in 2005. The Group had, as at December 31, 2004, an outstanding forward contract to buy foreign currency with a notional principal value of HK$101 million equivalent.

31. Contingent liabilities

As at December 31, 2004, there were contingent liabilities in respect of the following:

(i) 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.

(ii) Guarantees, indemnities and letters of awareness to banks totalling HK$662 million (2003: HK$185 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at December 31, 2004, HK$546 million (2003: HK$55 million) was utilised by the subsidiaries.

(iii) As explained in Note 6(a), the Group is in discussion with the Inland Revenue Department regarding previous years' tax affairs of The Cable Leasing Partnership and The Network Leasing Partnership ("the Partnerships") under the Group. The management is of the view that the Group's maximum tax exposure as at December 31, 2004 under the protective assessments would amount to HK$106 million, of which up to HK$64 million would be indemnified by Wharf Communications Limited as tax liability pertaining to events occurring up to the Group's Initial Public Offering on November 1, 1999, such that the contingent tax exposure for the Group is estimated at HK$42 million. After a provision of HK$12 million made in 2004, the maximum further tax liability is estimated at HK$30 million.

32. Related party transactions

The following represent material related party transactions between the Group and related parties during the year ended December 31, 2004:

	2004 HK$'000	2003 HK$'000
Interest expenses on convertible bonds held by the Wharf group *(Note (i))*	**–**	10,767
Rentals payable and related management fees on land and buildings *(Note (ii))*	**35,413**	38,360
Rentals receivable on land and buildings *(Note (iii))*	**(4,467)**	(4,455)
Network repairs and maintenance services charge *(Note (iv))*	**(21,191)**	(21,344)
Management fees *(Note (v))*	**11,634**	11,634
Computer services *(Note (vi))*	**14,049**	14,158
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges *(Note (vii))*	**24,771**	24,496
Project management fees *(Note (viii))*	**(6,512)**	(7,135)
Internet Protocol Point wholesale services charge *(Note (ix))*	**(1,417)**	–

32. Related party transactions *(continued)*

Notes:

(i) This represents interest expenses on convertible bonds held by the Wharf group prior to the bonds' maturity on November 23, 2003.

(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, 2004, related rental deposits amounted to HK$7,511,000 (2003: HK$7,513,000).

(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.

(ix) This represents service charges to a fellow subsidiary in relation to the Internet Protocol Point wholesale services.

Included in Note 12 were additions to property, plant and equipment totalling HK$732,000 (2003: HK$920,000) constructed by a fellow subsidiary on behalf of the Group during the year ended December 31, 2004.

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 November 1, 1999. The Group is not charged for these indemnities.

33. Post balance sheet event

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

34. Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("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 already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The Group will be continuing with the assessment of the impact of the new HKFRSs and significant changes may be identified as a result.

35. Ultimate holding company

The Directors consider the ultimate holding company at December 31, 2004 to be The Wharf (Holdings) Limited, which is incorporated in Hong Kong.

36. Approval of accounts

The accounts were approved and authorised for issue by the Directors on March 3, 2005.