

Notes to the Accounts

1. Turnover

The principal activity of the Company is investment holding. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 100 to 106.

Turnover represents sales by the Company and its subsidiary companies to outside customers and comprises revenue from:

	Group	
	2004 HK\$M	2003 HK\$M
Gross rental income	3,975	4,277
Sales of development properties	2,506	2,365
Sales of investment properties	766	833
Rendering of other services	1,405	1,351
Sales of goods	9,672	8,561
	18,324	17,387

2. Operating profit

	Group	
	2004 HK\$M	2003 HK\$M
<i>Operating profit has been arrived at after charging:</i>		
Cost of stocks sold	7,768	7,418
Cost of investment properties sold	112	275
Depreciation of fixed assets	525	532
Staff costs	1,812	1,767
Operating lease rentals:		
Land and buildings	140	113
Other equipment	25	19
Amortisation of deferred expenditure	71	113
Provision for stocks and work in progress	4	13
Provision for development properties	–	30
Impairment losses on:		
Fixed assets	21	–
Investment securities	15	–
Auditors' remuneration:		
Audit services	9	8
Non-audit services	13	5
Exchange differences	4	7
<i>and after crediting:</i>		
Gross rental income from properties	3,975	4,277
Less: Outgoings	903	934
Net rental income	3,072	3,343
Charter hire income	1,297	1,216
Profits on sale of shareholdings in jointly controlled and associated companies	44	–
Profit on sale of fixed assets	685	565

Notes to the Accounts

3. Segment Information

(a) Primary reporting format – business segments by division:

	The Company and its subsidiaries		Jointly controlled companies	Associated companies	Group	Profit attributable to shareholders	
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M	Profit before taxation HK\$M	Profit attributable to shareholders HK\$M
Year ended 31st December 2004							
Property							
Property investment	4,060	2,815	(240)	22		2,597	1,949
Property trading	2,506	838		52		890	316
Interest on land premium			(459)			(459)	(379)
Sales of investment properties	766	653				653	651
Hotels				(5)	101	96	79
Write-back of provision for trading properties				350		350	299
	7,332	4,306	(699)	419	101	4,127	2,915
Aviation							
Airline services and airline catering							
Cathay Pacific Group					2,088	2,088	1,883
Hong Kong Dragon Airlines					126	126	104
Aircraft engineering					226	226	196
Cargo handling					354	354	210
	-	-	-	-	2,794	2,794	2,393
Beverages							
Hong Kong	1,358	148				148	119
Taiwan	1,029	106	(4)			102	50
USA	2,591	231	(10)			221	122
Mainland China		(75)		232		157	124
Central costs		(30)				(30)	(30)
	4,978	380	(14)	232	-	598	385
Marine Services							
Ship repair, land engineering and harbour towage				56		56	50
Container handling				104	317	421	365
Ship owning and operating	1,297	308	(8)	33		333	326
	1,297	308	(8)	193	317	810	741
Trading & Industrial							
Car distribution	3,265	147				147	106
Shoe and apparel distribution	1,167	96	(1)	13		108	80
Waste services				101		101	86
Beverage can supply				57		57	55
Paint supply				40		40	36
Other activities	307	11	3			14	12
	4,739	254	2	211	-	467	375
Head Office	161	(114)	(218)	-	-	(332)	(265)
Inter-segment elimination	(183)						
Total	18,324	5,134	(937)	1,055	3,212	8,464	6,544

3. Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

	The Company and its subsidiaries		Jointly controlled companies	Associated companies	Group	Profit attributable to shareholders	
	Turnover HK\$M	Operating profit HK\$M	Net finance charges HK\$M	Share of profits less losses HK\$M	Share of profits less losses HK\$M	Profit before taxation HK\$M	HK\$M
Year ended 31st December 2003							
Property							
Property investment	4,367	3,173	(244)	22		2,951	2,305
Property trading	2,365	243		23		266	302
Sales of investment properties	833	558				558	535
Hotels and restaurants				(18)	39	21	9
Provision for trading properties		(30)				(30)	(28)
	7,565	3,944	(244)	27	39	3,766	3,123
Aviation							
Airline services and airline catering							
Cathay Pacific Group					696	696	521
Hong Kong Dragon Airlines					11	11	11
Aircraft engineering					186	186	156
Cargo handling					283	283	156
	-	-	-	-	1,176	1,176	844
Beverages							
Hong Kong	1,351	175	(1)			174	127
Taiwan	997	66	(7)			59	42
USA	2,607	225	(16)			209	142
Mainland China		(68)		205		137	86
Central costs		(34)				(34)	(34)
	4,955	364	(24)	205	-	545	363
Marine Services							
Ship repair, land engineering and harbour towage				36		36	23
Container handling				71	307	378	317
Ship owning and operating	1,218	309	(19)	23		313	306
	1,218	309	(19)	130	307	727	646
Trading & Industrial							
Car distribution	2,570	106				106	72
Shoe and apparel distribution	857	55	(1)	6		60	45
Waste services				101		101	84
Beverage can supply				44		44	40
Paint supply				17		17	20
Other activities	247	(36)	11			(25)	(23)
	3,674	125	10	168	-	303	238
Head Office	147	(157)	(187)	-	-	(344)	(292)
Inter-segment elimination	(172)						
Total	17,387	4,585	(464)	530	1,522	6,173	4,922

Notes to the Accounts

3. Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

Analysis of Turnover

	Turnover					
	2004			2003		
	External HK\$M	Inter- segment HK\$M	Total HK\$M	External HK\$M	Inter- segment HK\$M	Total HK\$M
Property						
Property investment	4,034	26	4,060	4,341	26	4,367
Property trading	2,506	–	2,506	2,365	–	2,365
Sales of investment properties	766	–	766	833	–	833
Beverages	4,978	–	4,978	4,955	–	4,955
Marine Services	1,297	–	1,297	1,216	2	1,218
Trading & Industrial	4,704	35	4,739	3,637	37	3,674
Head Office	39	122	161	40	107	147
Inter-segment elimination	–	(183)	(183)	–	(172)	(172)
	18,324	–	18,324	17,387	–	17,387

Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

Analysis of total assets and total liabilities of the group

	Property		Aviation		Beverages		Marine Services		Trading & Industrial		Head Office		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<i>Segment assets</i>	77,556	62,539	–	–	3,105	3,175	4,063	3,603	1,706	1,399	507	408	86,937	71,124
Deferred tax assets	–	–	–	–	–	–	1	–	14	12	–	–	15	12
Jointly controlled companies	1,770	2,668	39	37	1,070	999	479	393	304	214	–	–	3,662	4,311
Associated companies	959	922	17,219	16,177	–	–	592	578	–	–	–	–	18,770	17,677
Bank deposits & securities	1,165	170	–	–	49	28	130	29	132	169	117	103	1,593	499
Total assets	81,450	66,299	17,258	16,214	4,224	4,202	5,265	4,603	2,156	1,794	624	511	110,977	93,623
<i>Segment liabilities</i>	4,295	6,758	–	–	918	790	350	231	604	527	256	165	6,423	8,471
Current and deferred														
tax liabilities	824	929	–	–	205	148	13	8	59	46	33	41	1,134	1,172
Borrowings	9,041	8,948	–	–	669	1,056	1,485	1,396	182	(45)	(1,496)	(682)	9,881	10,673
Total liabilities	14,160	16,635	–	–	1,792	1,994	1,848	1,635	845	528	(1,207)	(476)	17,438	20,316
Minority interests	6,244	4,971	15	15	281	241	–	–	4	4	–	–	6,544	5,231
Net assets	61,046	44,693	17,243	16,199	2,151	1,967	3,417	2,968	1,307	1,262	1,831	987	86,995	68,076
Borrowings comprise:														
External borrowings	375	610	–	–	328	596	10	4	178	19	8,990	9,444	9,881	10,673
Inter-segment borrowings*	8,666	8,338	–	–	341	460	1,475	1,392	4	(64)	(10,486)	(10,126)	–	–
Total	9,041	8,948	–	–	669	1,056	1,485	1,396	182	(45)	(1,496)	(682)	9,881	10,673

* Exclude equity loans from head office

3. Segment Information (continued)

(a) Primary reporting format – business segments by division (continued):

An analysis of capital expenditure and depreciation/amortisation of the group is as follows:

	Capital expenditure		Depreciation and amortisation	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Property	1,399	1,207	45	108
Beverages	173	183	294	289
Marine Services	480	664	178	169
Trading & Industrial	25	52	36	42
Head Office	1	–	43	37
	2,078	2,106	596	645

(b) Secondary reporting format – geographical segments:

The activities of the Swire Pacific group are mainly based in Hong Kong. Ship owning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

An analysis of turnover, operating profit, segment assets and capital expenditure of the group by principal markets is outlined below:

	Turnover		Operating profit	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Hong Kong	7,518	9,480	3,579	3,745
Asia (excluding Hong Kong)	4,608	3,639	247	171
North America	4,901	3,052	1,000	359
Ship owning and operating	1,297	1,216	308	310
	18,324	17,387	5,134	4,585

	Segment assets		Capital expenditure	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Hong Kong	77,816	62,283	964	1,251
Asia (excluding Hong Kong)	2,744	1,897	534	91
North America	2,315	3,348	100	100
Ship owning and operating	4,062	3,596	480	664
	86,937	71,124	2,078	2,106

Notes to the Accounts

4. Directors' emoluments

	Cash			Non cash			Total 2004 HK\$'000	Total 2003 HK\$'000
	Basic salary/ Directors' fees (note (a)) HK\$'000	Bonus	Allowances and benefits HK\$'000	Retirement schemes contributions HK\$'000	Bonus paid into retirement schemes HK\$'000	Housing benefits HK\$'000		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Executive directors								
D M Turnbull	528	382	16	140	110	237	1,413	1,361
M Cubbon	2,364	1,417	518	629	564	2,296	7,788	7,526
D Ho	1,748	2,005	826	185	–	1,775	6,539	6,116
K G Kerr	4,224	3,768	391	946	–	2,136	11,465	13,073
M J Bell	–	–	–	–	–	–	–	408
Non-executive directors								
Baroness Dunn, DBE	–	–	–	–	–	–	–	–
J W J Hughes-Hallett	6,761	4,651	313	1,799	1,281	4,519	19,324	17,989
P A Johansen	–	–	–	–	–	–	–	–
Sir Adrian Swire	–	–	–	–	–	–	–	–
Independent non-executive directors								
D G Eldon	200	–	–	–	–	–	200	195
C K M Kwok	400	–	–	–	–	–	400	195
C Lee	400	–	–	–	–	–	400	270
M M T Yang	200	–	–	–	–	–	200	120
M C C Sze	33	–	–	–	–	–	33	–
T S Lo	–	–	–	–	–	–	–	44
Total 2004	16,858	12,223	2,064	3,699	1,955	10,963	47,762	47,297
Total 2003	14,743	11,056	1,754	5,758	1,791	12,195	–	47,297

Notes:

- The amounts paid to independent non-executive directors are directors' fees. Other amounts are basic salaries paid to executive directors.
- Bonuses paid in the year are based on the previous year's results.
- Emoluments for the executive directors represented the amount charged to the Company and its subsidiary companies.
- J W J Hughes-Hallett was an executive director until 31st December 2004 and received the emoluments in respect of his services as executive director in 2004 and 2003. No fees or emoluments have been received by the other non-executive directors.
- Apart from the directors' fees, the independent non-executive directors received no other emoluments from the Company or any of its subsidiary companies.

5. Senior management remuneration

Of the five highest paid individuals in the group, four (2003: four) of them are directors whose emoluments are disclosed in note 4. The remuneration of senior management, one (2003: one) of whom being one of the five highest paid individuals, is disclosed below:

	Cash			Non cash			Total 2004 HK\$'000	Total 2003 HK\$'000
	Basic salary HK\$'000	Bonus HK\$'000	Allowances and benefits HK\$'000	Retirement schemes contributions HK\$'000	Bonus paid into retirement schemes HK\$'000	Housing benefits HK\$'000		
C D Pratt	1,680	1,045	388	447	438	1,893	5,891	5,001
J R Slosar	2,400	1,464	351	2,853	600	1,532	9,200	6,970
	4,080	2,509	739	3,300	1,038	3,425	15,091	11,971

Notes:

(a) Bonuses paid in the year are based on the previous year's results.

(b) Remuneration for the senior management represented the amount charged to the Company and its subsidiary companies.

6. Net finance charges

	Group			
	2004		2003	
	HK\$M	HK\$M	HK\$M	HK\$M
Interest charged on:				
Bank loans and overdrafts		65		106
Other loans and bonds:				
Wholly repayable within five years	107		295	
Not wholly repayable within five years	426		424	
		533		719
Transfer from property valuation reserve (note 26(e))		500		–
Deferred into properties under development for sale:				
Subsidiary companies	(24)		(37)	
Jointly controlled companies	–		(27)	
		(24)		(64)
Capitalised on:				
Investment properties	(102)		(246)	
Vessels	(2)		(3)	
		(104)		(249)
		970		512
Interest income on:				
Short-term deposits and bank balances	(13)		(11)	
Other loans	(20)		(37)	
		(33)		(48)
		937		464

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 0.18% and 6.27% per annum (2003: 0.89% and 7.02% per annum).

Notes to the Accounts

7. Share of profits less losses of jointly controlled companies

The share of profits less losses of jointly controlled companies included an attributable profit of HK\$350 million (2003: nil) arising from the write-back of provisions for diminution in value of trading properties. The share of the surplus on the revaluation of investment properties held by jointly controlled companies is dealt with in the group property valuation reserve as set out in note 26.

8. Taxation

The taxation charge comprises:

	Group			
	2004			2003
	HK\$M	HK\$M	HK\$M	HK\$M
<i>The Company and its subsidiary companies</i>				
Current taxation:				
Hong Kong profits tax	190		330	
Overseas taxation	491		130	
Over-provision in respect of previous years	(3)		(47)	
		678		413
Deferred taxation:				
Origination and reversal of temporary differences	18		72	
Effect of changes in tax rates	–		61	
		18		133
		696		546
<i>Jointly controlled companies</i>				
Current taxation	66		77	
Deferred taxation:				
Origination and reversal of temporary differences	83		(67)	
Effect of changes in tax rates	–		(27)	
		149		(17)
<i>Associated companies</i>				
Current taxation	343		268	
Deferred taxation:				
Origination and reversal of temporary differences	46		20	
Effect of changes in tax rates	–		55	
		389		343
		1,234		872

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

8. Taxation (continued)

The tax charge on the group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong tax rate of the Company as follows:

	Group	
	2004 HK\$M	2003 HK\$M
Profit before taxation	8,464	6,173
Calculated at a tax rate of 17.5% (2003: 17.5%)	1,481	1,080
Effect of different tax rates in other countries	(50)	(87)
Income not subject to tax	(202)	(149)
Expenses not deductible for tax purposes	115	117
Unused tax losses not recognised	14	74
Temporary differences not recognised	(40)	(117)
Utilisation of previously unrecognised tax losses	(22)	(26)
Recognition of previously unrecognised tax losses	(46)	(74)
Over-provisions in prior years	(4)	(12)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	89
Others	(12)	(23)
Tax charge	1,234	872

9. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$3,558 million (2003: HK\$2,255 million) is dealt with in the accounts of the Company.

10. Dividends

	Company	
	2004 HK\$M	2003 HK\$M
Interim dividend paid on 5th October 2004 of HK¢58.0 per 'A' share and HK¢11.6 per 'B' share (2003: HK¢32.0 and HK¢6.4)	888	490
Final proposed dividend of HK¢142.0 per 'A' share and HK¢28.4 per 'B' share (2003: HK¢102.0 and HK¢20.4)	2,174	1,562
	3,062	2,052

The final proposed dividend is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2005.

11. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$6,544 million (2003: HK\$4,922 million) by the weighted average number of 930,375,385 'A' shares and 3,003,486,271 'B' shares in issue during the year (2003: 930,477,088 'A' shares and 3,003,486,271 'B' shares).

Notes to the Accounts

12. Fixed assets

	Group				Company		
	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Properties HK\$M	Plant and machinery HK\$M	Total HK\$M
Cost or valuation:							
At 31st December 2003	61,699	3,979	4,657	70,335	329	31	360
Translation differences	48	62	7	117	–	–	–
Additions	1,379	228	471	2,078	–	1	1
Disposals	(729)	(237)	(99)	(1,065)	–	(1)	(1)
Investment property valuation increase during the year	15,867	–	–	15,867	–	–	–
At 31st December 2004	78,264	4,032	5,036	87,332	329	31	360
Accumulated depreciation and impairment:							
At 31st December 2003	654	2,799	1,409	4,862	82	24	106
Translation differences	8	38	2	48	–	–	–
Charge for the year	52	300	173	525	7	4	11
Impairment charge	21	–	–	21	–	–	–
Disposals	(153)	(192)	(88)	(433)	–	(1)	(1)
At 31st December 2004	582	2,945	1,496	5,023	89	27	116
Net book value:							
At 31st December 2004	77,682	1,087	3,540	82,309	240	4	244
At 31st December 2003	61,045	1,180	3,248	65,473	247	7	254

(a) Fixed assets held for deployment in operating leases at 31st December were as follows:

	Group				Company	
	2004		2003		2004	2003
	Properties HK\$M	Vessels HK\$M	Properties HK\$M	Vessels HK\$M	Properties HK\$M	Properties HK\$M
Cost	72,912	4,550	55,003	4,543	329	329
Less: accumulated depreciation	89	1,496	82	1,409	89	82
Net book value	72,823	3,054	54,921	3,134	240	247
Depreciation charge for the year	7	173	7	167	7	7

(b) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 2004 by professionally qualified executives of Swire Properties Limited who are members of the Royal Institute of Chartered Surveyors. This valuation has been incorporated in the accounts as stated in principal accounting policy no. 5.

12. Fixed assets (continued)

(c) At 31st December 2004 and 2003, none of the fixed assets were pledged as security for the group's long-term loans.

	Group				
	Investment properties		Other properties		Total
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	HK\$M
(d) Properties comprise:					
Cost or valuation:					
At 31st December 2003	54,674	4,565	870	1,590	61,699
Translation differences	–	–	24	24	48
Additions	202	1,160	2	15	1,379
Disposals	(502)	(1)	(150)	(76)	(729)
Transfer between categories	2,512	(2,512)	–	–	–
Valuation increase during the year	15,697	170	–	–	15,867
At 31st December 2004	72,583	3,382	746	1,553	78,264
Depreciation:					
At 31st December 2003	–	–	174	480	654
Translation differences	–	–	–	8	8
Charge for the year	–	–	9	43	52
Impairment charge	–	–	21	–	21
Disposals	–	–	(106)	(47)	(153)
At 31st December 2004	–	–	98	484	582
Net book value at 31st December 2004	72,583	3,382	648	1,069	77,682

(e) Tenure and valuation

Held in Hong Kong:

On medium-term lease (10 to 50 years):

At cost less depreciation
 – | – | 108 | 447 | 555 |

On long-term lease (over 50 years):

At cost less depreciation
 – | – | 128 | 33 | 161 |

At professional valuation

31st December 2004
 72,583 | 2,912 | – | – | 75,495 |

Held outside Hong Kong:

On medium-term lease (10 to 50 years):

At cost less depreciation
 – | – | 4 | 1 | 5 |

On long-term lease (over 50 years):

At professional valuation

31st December 2004
 – | 470 | – | – | 470 |

Freehold:

At cost less depreciation
 – | – | 408 | 588 | 996 |

Net book value at 31st December 2004
 72,583 | 3,382 | 648 | 1,069 | 77,682 |

(f) The Company's properties, with a total net book value of HK\$240 million (2003: HK\$247 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$114 million (2003: HK\$117 million) and HK\$126 million (2003: HK\$130 million) respectively.

Notes to the Accounts

13. Subsidiary companies

	Company	
	2004 HK\$M	2003 HK\$M
Unlisted shares at cost less provisions	4,322	4,335
Amounts due from subsidiary companies less provisions	5,404	7,127
	9,726	11,462
Amounts due to subsidiary companies	(363)	(641)
	9,363	10,821

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 100 to 106.

14. Jointly controlled companies

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Unlisted shares at cost			383	412
Share of net liabilities, unlisted	(845)	(1,315)		
Unamortised goodwill on acquisition	36	–		
	(809)	(1,315)		
Loans due from jointly controlled companies less provisions	9,102	9,000	121	123
Loans due to jointly controlled companies	(4,631)	(3,374)	–	–
	3,662	4,311	504	535
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	571	452	61	82

The principal jointly controlled companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 100 to 106.

15. Associated companies

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Shares at cost				
– Listed in Hong Kong			1,701	1,460
– Unlisted			783	783
			2,484	2,243
Share of net assets				
– Listed in Hong Kong	16,274	15,321		
– Unlisted	1,432	1,336		
	17,706	16,657		
Unamortised goodwill on acquisition	119	45		
	17,825	16,702		
Loans due from associated companies less provisions	1,095	1,125	–	–
Loans due to associated companies	(150)	(150)	–	–
	18,770	17,677	2,484	2,243
Dividends received and receivable by the Company and its subsidiary companies from associated companies	1,625	1,096	1,368	911

15. Associated companies (continued)

- (a) The market value of the shares in the listed associated companies at 31st December 2004 was HK\$25,272 million (2003: HK\$25,349 million).
- (b) The principal associated companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 100 to 106. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 107 to 108.

16. Investment securities and long-term receivables

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Shares listed in Hong Kong	42	28	–	–
Unlisted shares	96	96	–	–
Loans advanced	161	177	–	–
Investment securities	299	301	–	–
Mortgages and other receivables	14	23	1	2
	313	324	1	2

17. Properties for sale

	Group	
	2004 HK\$M	2003 HK\$M
Completed properties for sale	206	291
Properties under development for sale	668	1,531
	874	1,822

- (a) At 31st December 2004, the value of properties for sale that are carried below cost at net realisable value was HK\$113 million (2003: HK\$112 million).
- (b) At 31st December 2004, properties for sale pledged as security for the group's long-term loans amounted to HK\$670 million (2003: HK\$1,364 million).

18. Stocks and work in progress

	Group	
	2004 HK\$M	2003 HK\$M
Goods for sale	970	657
Manufacturing materials	132	122
Production supplies	103	62
Work in progress	31	20
	1,236	861

At 31st December 2004, the value of stocks that are carried below cost at net realisable value was HK\$6 million (2003: HK\$14 million).

Notes to the Accounts

19. Trade and other receivables

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Trade debtors	1,040	1,642	–	–
Amounts due from intermediate holding company	–	1	–	–
Amounts due from fellow subsidiary companies	–	2	–	–
Amounts due from subsidiary companies	–	–	112	107
Amounts due from jointly controlled companies	11	14	–	–
Amounts due from associated companies	66	66	–	–
Other receivables	942	732	197	59
	2,059	2,457	309	166

At 31st December 2004, the aged analysis of trade debtors was as follows:

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Under three months	972	1,558	–	–
Between three and six months	49	54	–	–
Over six months	19	30	–	–
	1,040	1,642	–	–

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

20. Trade and other payables

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Trade creditors	645	626	1	3
Amounts due to intermediate holding company	82	65	23	18
Amounts due to jointly controlled companies	20	24	–	–
Amounts due to associated companies	16	13	–	–
Other payables	5,417	7,477	181	85
	6,180	8,205	205	106

At 31st December 2004, the aged analysis of trade creditors was as follows:

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Under three months	638	615	–	2
Between three and six months	–	5	–	–
Over six months	7	6	1	1
	645	626	1	3

21. Perpetual Capital Securities

The Perpetual Capital Securities, amounting to US\$300 million each and bearing cumulative interest at 9.33% and 8.84% per annum, were issued by two wholly-owned subsidiaries (the "Issuers") on 23rd October 1996 and 6th May 1997 respectively. They have no scheduled maturity but are redeemable at the option of the Company or the respective Issuer either (i) at any time on or after 30th October 2006 and 13th May 2017 respectively or (ii) at any time upon amendment or imposition of certain taxes and, in any case, become due in the event of the Company's or the respective Issuer's winding up. The Perpetual Capital Securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

22. Long-term loans and bonds

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Bank loans (secured):				
Repayable between one and two years	370	603	–	–
Bank loans (unsecured):				
Repayable within one year	11	–	–	–
Repayable between one and two years	9	–	–	–
Repayable between two and five years	214	222	–	–
Other borrowings (unsecured):				
Repayable within one year	–	2,821	–	2,321
Repayable between one and two years	500	–	–	–
Repayable between two and five years	1,300	500	–	–
Repayable after five years	200	–	–	–
	2,604	4,146	–	2,321
Amount due within one year included under current liabilities	(11)	(2,821)	–	(2,321)
	2,593	1,325	–	–

Borrowings other than bank loans are repayable on various dates up to 2011 at interest rates from 0.45% to 4.0% per annum (2003: 0.66% to 8.5% per annum).

23. Deferred taxation

The movement on the net deferred tax liabilities account is as follows:

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
At 1st January	879	749	28	25
Translation differences	(1)	(3)	–	–
Charged/(credited) to profit and loss account	18	133	(1)	3
At 31st December	896	879	27	28

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. The group has unrecognised tax losses of HK\$966 million (2003: HK\$1,087 million) to carry forward against future taxable income. These tax losses have no expiry date (2003: except for HK\$13 million with expiry at various dates up to 2007).

Notes to the Accounts

23. Deferred taxation (continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
At 1st January	863	737	78	107	941	844
Translation differences	–	1	–	–	–	1
Charged/(credited) to profit and loss account	75	125	(2)	(29)	73	96
At 31st December	938	863	76	78	1,014	941

	Company					
	Accelerated tax depreciation		Defined benefit retirement plans		Total	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
At 1st January	12	11	16	14	28	25
(Credited)/charged to profit and loss account	(1)	1	–	2	(1)	3
At 31st December	11	12	16	16	27	28

Deferred tax assets

	Group							
	Provisions		Tax losses		Others		Total	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
At 1st January	51	37	–	7	11	51	62	95
Translation differences	1	1	–	–	–	3	1	4
Credited/(charged) to profit and loss account	6	13	53	(7)	(4)	(43)	55	(37)
At 31st December	58	51	53	–	7	11	118	62

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Deferred tax assets	(15)	(12)	–	–
Deferred tax liabilities	911	891	27	28
	896	879	27	28

24. Retirement benefits

The group operates various retirement benefit plans providing resignation and retirement benefits to staff. Most retirement benefit plans for staff employed on expatriate terms are contributory, whilst most plans for locally-engaged employees are non-contributory. The assets of the plans are administered by independent trustees and are maintained independently of the group's finances. The majority of the plans are of the defined benefit type and contributions to such plans are made in accordance with the funding rates recommended by independent qualified actuaries to ensure that the plans will be able to meet their liabilities as they become due. The funding rates are subject to annual review and are determined by taking into consideration the difference between the market values of the plans' assets and the present value of accrued past services liabilities, on an on-going basis, as computed by actuarial valuations.

24. Retirement benefits (continued)

All new employees are offered the choice of joining the retirement benefit plans or the mandatory provident fund ("MPF") scheme. Where staff elect to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution. Employees engaged outside Hong Kong are covered by appropriate local arrangements.

Total retirement benefit costs recognised in the profit and loss account for the year ended 31st December 2004 amounted to HK\$92 million (2003: HK\$114 million), including HK\$10 million (2003: HK\$11 million) in respect of defined contribution plans.

For financial statements purpose, defined benefit plans are valued using the projected unit credit method in accordance with HK SSAP 34. Principal plans in Hong Kong were last valued by qualified actuaries, Watson Wyatt Hong Kong Limited and HSBC Life (International) Limited as at 31st December 2003. The figures disclosed as at 31st December 2004 were estimated by Cannon Trustees Limited, the main administration manager of the group's defined benefit plans. Plans in the United States and Taiwan are valued by independent qualified actuaries in corresponding countries. In addition, the group operates a post-employment health care and life insurance benefit plan for certain retired employees in the United States, with method of accounting and frequency of valuations similar to those used for defined benefit plans.

(a) The amounts recognised in the consolidated balance sheet are as follows:

	2004			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
Present value of funded obligations	1,300	–	1,300	36
Fair value of plan assets	(1,304)	–	(1,304)	(129)
	(4)	–	(4)	(93)
Present value of unfunded obligations	–	62	62	–
Net unrecognised actuarial losses	(64)	(23)	(87)	1
Unrecognised past service costs	(2)	–	(2)	–
Net retirement benefit liabilities/(assets)	(70)	39	(31)	(92)
Represented by:				
Retirement benefit assets	(163)	–	(163)	(92)
Retirement benefit liabilities	93	39	132	–
	(70)	39	(31)	(92)
	2003			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
Present value of funded obligations	1,089	–	1,089	28
Fair value of plan assets	(1,123)	–	(1,123)	(115)
	(34)	–	(34)	(87)
Present value of unfunded obligations	–	83	83	–
Net unrecognised actuarial losses	(18)	(49)	(67)	(3)
Unrecognised past service costs	3	–	3	–
Net retirement benefit liabilities/(assets)	(49)	34	(15)	(90)
Represented by:				
Retirement benefit assets	(154)	–	(154)	(90)
Retirement benefit liabilities	105	34	139	–
	(49)	34	(15)	(90)

Notes to the Accounts

24. Retirement benefits (continued)

(b) Movements in the net retirement benefit liabilities/(assets) are as follows:

	2004			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
At 1st January	(49)	34	(15)	(90)
Translation differences	6	–	6	–
Contributions paid	(102)	(2)	(104)	–
Net expenses recognised in the profit and loss account	75	7	82	(2)
At 31st December	(70)	39	(31)	(92)

	2003			
	Group			Company
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M
At 1st January	(40)	26	(14)	(90)
Dissolution of a subsidiary company	26	–	26	–
Contributions paid	(129)	(1)	(130)	–
Net expenses recognised in the profit and loss account	94	9	103	–
At 31st December	(49)	34	(15)	(90)

(c) Net expenses recognised in the consolidated profit and loss account are as follows:

	Group					
	2004			2003		
	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M	Defined benefit plans HK\$M	Other post-employment benefits HK\$M	Total HK\$M
Current service cost	89	2	91	87	3	90
Interest cost	56	3	59	56	4	60
Expected return on plan assets	(71)	–	(71)	(57)	–	(57)
Past service costs recognised	(1)	–	(1)	2	–	2
Net actuarial losses recognised	2	2	4	6	2	8
	75	7	82	94	9	103

The above net expenses were mainly included in administrative expenses in the consolidated profit and loss account.

The actual return on defined benefit plan assets was a gain of HK\$152 million (2003: HK\$145 million).

24. Retirement benefits (continued)

(d) The principal actuarial assumptions used are as follows:

	2004		2003	
	Group		Group	
	Defined benefit plans %	Other post-employment benefits %	Defined benefit plans %	Other post-employment benefits %
Discount rate	3.25 – 6.25	6.25	3.5 – 6.25	6.25
Expected rate of return on plan assets	2.75 – 8.25	N/A	3.25 – 8	N/A
Expected rate of future salary increases	2 – 5.5	N/A	2 – 5	N/A
Expected rate of increase in cost of covered health care benefits	N/A	9.0	N/A	9.0

25. Share capital

	Company				Total HK\$M
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	
Authorised:					
At 31st December 2004 and 2003	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2002	932,307,885	3,003,486,271	559	361	920
Less: Shares repurchased and cancelled	1,932,500	–	1	–	1
At 31st December 2004 and 2003	930,375,385	3,003,486,271	558	361	919

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

During the year, the Company did not purchase, sell or redeem any of its shares. In 2003, the Company repurchased on the stock exchange 1,932,500 'A' shares of HK\$0.60 each of the Company at an aggregate consideration of HK\$60 million.

Notes to the Accounts

26. Reserves

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
Company							
At 31st December 2002	10,037	–	342	32	–	–	10,411
Profit for the year	2,255	–	–	–	–	–	2,255
Repurchase of Company's shares							
– premium paid on repurchases	(59)	–	–	–	–	–	(59)
– transfer between reserves	(1)	–	–	1	–	–	–
2002 Final dividend	(1,378)	–	–	–	–	–	(1,378)
2003 Interim dividend (note 10)	(490)	–	–	–	–	–	(490)
At 31st December 2003	10,364	–	342	33	–	–	10,739
At 31st December 2003	10,364	–	342	33	–	–	10,739
Profit for the year	3,558	–	–	–	–	–	3,558
2003 Final dividend (note 10)	(1,562)	–	–	–	–	–	(1,562)
2004 Interim dividend (note 10)	(888)	–	–	–	–	–	(888)
At 31st December 2004	11,472	–	342	33	–	–	11,847
Group							
At 31st December 2002	44,325	22,892	342	32	183	253	68,027
Profit for the year	4,922	–	–	–	–	–	4,922
Repurchase of Company's shares							
– premium paid on repurchases	(59)	–	–	–	–	–	(59)
– transfer between reserves	(1)	–	–	1	–	–	–
2002 Final dividend	(1,378)	–	–	–	–	–	(1,378)
2003 Interim dividend (note 10)	(490)	–	–	–	–	–	(490)
Goodwill reinstated							
– on disposal of subsidiary companies	2	–	–	–	–	–	2
– upon impairment	6	–	–	–	–	–	6
Decrease in property valuation arising during the year	–	(2,666)	–	–	–	–	(2,666)
Share of deficit on revaluation of investment properties held by jointly controlled companies	–	(69)	–	–	–	–	(69)
Revaluation surplus on investment properties transferred to operating profit on disposal	–	(484)	–	–	–	–	(484)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	(617)	(617)
– deferred tax recognised	–	–	–	–	–	42	42
– transferred to the profit and loss account	–	–	–	–	–	(41)	(41)
Revaluation deficit on investment securities recognised during the year	–	–	–	–	(27)	–	(27)
Exchange differences	(11)	–	–	–	–	–	(11)
At 31st December 2003	47,316	19,673	342	33	156	(363)	67,157

26. Reserves (continued)

<i>Group</i>	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
At 31st December 2003							
– as originally stated	47,316	19,673	342	33	156	(363)	67,157
– prior year adjustment of the Cathay Pacific group (note (d))	(116)	–	–	–	–	–	(116)
– as restated	47,200	19,673	342	33	156	(363)	67,041
Profit for the year	6,544	–	–	–	–	–	6,544
2003 Final dividend (note 10)	(1,562)	–	–	–	–	–	(1,562)
2004 Interim dividend (note 10)	(888)	–	–	–	–	–	(888)
Goodwill reinstated on disposal of jointly controlled and associated companies	36	–	–	–	–	–	36
Increase in property valuation arising during the year	–	14,828	–	–	–	–	14,828
Share of surplus on revaluation of investment properties held by jointly controlled companies	–	87	–	–	–	–	87
Revaluation (surplus)/deficit on investment properties							
– transferred to operating profit on disposal	–	(408)	–	–	–	–	(408)
– transferred to finance charges (note (e))	–	500	–	–	–	–	500
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	(449)	(449)
– deferred tax recognised	–	–	–	–	–	32	32
– transferred to the profit and loss account	–	–	–	–	–	178	178
Revaluation surplus on investment securities recognised during the year	–	–	–	–	76	–	76
Exchange differences	61	–	–	–	–	–	61
At 31st December 2004	51,391	34,680	342	33	232	(602)	86,076

The group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$1,536 million (2003: HK\$1,928 million) and retained revenue reserves from associated companies amounting to HK\$14,715 million (2003: HK\$14,818 million).

- (a) Distributable reserves of the Company at 31st December 2004 amounted to HK\$11,472 million (2003: HK\$10,364 million).
- (b) The revenue reserve includes HK\$2,174 million (2003: HK\$1,562 million) representing the proposed final dividend for the year (note 10).

Notes to the Accounts

26. Reserves (continued)

- (c) As set out in principal accounting policy no. 4 (iv), the cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits of the Cathay Pacific group which are arranged in foreign currencies such that repayment can be met by anticipated operating cash flows. Had HK SSAP 11 been adopted, there would have been no financial impact on the Swire Pacific group's assets, liabilities and cash flows. A deficit of HK\$602 million (2003: HK\$363 million) would have been included in the Swire Pacific group's revenue reserve rather than the cash flow hedge reserve and the Swire Pacific group's profit and loss account for the year ended 31st December 2004 would have decreased by HK\$239 million (2003: HK\$616 million).
- (d) Details of the prior year adjustment of the Cathay Pacific group are stated in principal accounting policy no. 17.
- (e) Following the Taikoo Shing land premium arbitration hearing in February 2004, the group has estimated the interest in connection with the land premium to be HK\$500 million. This amount has been transferred to the profit and loss account from the property valuation reserve against which a provision of HK\$4,250 million had previously been made.

27. Contingencies and commitments

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
(a) Outstanding commitments for capital expenditure at the year end:				
Contracted for but not provided for in the accounts	2,659	1,787	99	99
Authorised by Directors but not contracted for	2,902	138	–	–
(b) Outstanding commitments for capital expenditure at the year end (included in (a) above) relating to the group's interest in jointly controlled companies:				
Contracted for but not provided for in the accounts	99	791	99	99
(c) In addition, the group's share of the capital commitments of its jointly controlled companies at the year end (not included in (a) above):				
Contracted for but not provided for in the accounts	136	24	–	–
Authorised by Directors but not contracted for	97	212	–	–
(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:				
Subsidiary companies	–	–	9,443	7,552
Jointly controlled companies	1,229	1,210	1,229	1,210
Associated companies	30	8	–	–
Third parties	157	165	–	–
	1,416	1,383	10,672	8,762

28. Operating lease arrangements

The group acts as both lessor and lessee under operating leases. Details of the group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for a period of three to six years. The turnover-related rental income received during the year amounted to HK\$103 million (2003: HK\$69 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases receivable by the group were as follows:

	Group		Company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Land and buildings:				
Not later than one year	2,573	2,666	9	14
Later than one year but not later than five years	3,933	3,858	3	5
Later than five years	435	182	–	–
	6,941	6,706	12	19
Vessels:				
Not later than one year	501	294	–	–
Later than one year but not later than five years	58	32	–	–
	559	326	–	–
	7,500	7,032	12	19

(b) Lessee

The group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The turnover-related rentals paid during the year amounted to HK\$7 million (2003: HK\$6 million).

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases payable by the group were as follows:

	Group	
	2004 HK\$M	2003 HK\$M
Land and buildings:		
Not later than one year	107	91
Later than one year but not later than five years	148	109
Later than five years	11	4
	266	204
Vessels:		
Not later than one year	8	13
Other equipment:		
Not later than one year	19	18
	293	235

The Company did not have any material operating lease commitments at 31st December 2004 and 2003.

Notes to the Accounts

29. Related party transactions

There were agreements for services (“Old Agreements”), in respect of which John Swire & Sons (HK) Limited provided services to various companies in the group and under which costs were reimbursed and fees payable. Service fees were calculated as 2.5% (2003: 2.5%) of the relevant company’s consolidated profit before tax, exceptional items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies. The Old Agreements were terminated on 31st December 2004 and replaced by the new agreements (“New Agreements”) which took effect from 1st January 2005. For the year ended 31st December 2004, service fees payable amounted to HK\$122 million (2003: HK\$120 million). Expenses of HK\$67 million (2003: HK\$77 million) were reimbursed at cost; in addition, HK\$138 million (2003: HK\$122 million) in respect of shared administrative services were reimbursed.

(Please also refer to the Directors’ Report on page 53.)

The following is a summary of other significant transactions between the group and related parties, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the group’s business. These transactions including those under the Old Agreements were not connected transactions or continuing connected transactions which gave rise to any disclosure or other obligations under Chapter 14A of the Listing Rules.

Notes	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
Revenue from sales of goods and rendering of services	(a) 57	28	21	18	–	–	–	–
Purchases of goods and services	(a) 197	210	14	9	10	10	–	–
Rental revenue	(b) 5	10	7	6	7	7	37	48
Interest income	(c) 7	18	10	14	–	–	–	–
Interest charges	(c) 1	4	–	–	–	–	–	–

Amounts due to and due from intermediate holding company at 31st December 2004 are disclosed in notes 19 and 20. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Notes:

- Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and on terms no less than those charged to/by and contracted with other third party customers/suppliers of the group.
- The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- Loans advanced to jointly controlled and associated companies and loans due to jointly controlled and associated companies at 31st December 2004 are disclosed in notes 14 and 15 respectively. Quasi-equity loans are non-interest-bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.

30. Notes to the consolidated cash flow statement

	Group	
	2004 HK\$M	2003 HK\$M
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	5,134	4,585
Depreciation of fixed assets	525	532
Profit on disposal of fixed assets	(685)	(565)
Amortisation of deferred expenditure	71	113
Impairment losses on:		
Fixed assets	21	–
Investment securities	15	–
Profit on sale of shareholdings in jointly controlled and associated companies	(44)	–
Other items	(52)	(28)
Operating profit before working capital changes	4,985	4,637
Decrease in properties for sale	915	676
(Increase)/decrease in stocks and work in progress	(375)	71
Decrease/(increase) in trade and other receivables	476	(727)
(Decrease)/increase in trade and other payables	(1,952)	676
Cash generated from operations	4,049	5,333
(b) Analysis of fixed assets purchased		
Investment properties	1,196	953
Other properties	14	9
Plant and machinery and vessels	700	895
Purchase of fixed assets	1,910	1,857

The above figures do not include interest capitalised on fixed assets.

(c) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2004 HK\$M	2003 HK\$M	2004 HK\$M	2003 HK\$M
At 1st January	10,668	14,746	5,231	4,861
Net cash outflow from financing	(816)	(4,086)	(418)	(266)
Minority interests in property valuation reserve	–	–	1,005	371
Minority interests' share of profits less losses	–	–	686	379
Dividends paid and payable	–	–	(99)	(113)
Other non-cash movements	15	8	139	(1)
At 31st December	9,867	10,668	6,544	5,231

31. Ultimate holding company

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.