

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2005

HK\$ million	2005							Total
	Issued equity	Capital reserve	Property revaluation reserve	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	(Deficit)/ Retained earnings	
Balance at December 31, 2004, as previously stated	3,424	(565)	180	—	—	—	(148)	2,891
Effect of changes in accounting policies (note 2(b)):								
– Prior period adjustment arising from retroactive adoption of HKAS 40	—	—	(180)	—	—	—	567	387
– Prior period adjustment arising from retroactive adoption of HKAS 32	—	—	—	—	1,160	—	(85)	1,075
– Decrease in deferred tax arising from the revaluation of investment properties on adoption of HKAS-Int 21	—	—	—	—	—	—	88	88
– Increase in employee compensation expenses under share option scheme on adoption of HKFRS 2	—	—	—	—	—	10	(10)	—
Balance at December 31, 2004, as restated	3,424	(565)	—	—	1,160	10	412	4,441
Opening adjustment on adoption of HKAS 39 (note 2(b)(vi))	—	—	—	—	—	—	30	30
Balance at January 1, 2005	3,424	(565)	—	—	1,160	10	442	4,471
Exchange differences	—	—	—	72	—	—	—	72
Net income recognised directly in equity	—	—	—	72	—	—	—	72
Profit for 2005	—	—	—	—	—	—	597	597
Total recognised income for 2005	—	—	—	72	—	—	597	669
Issue of ordinary shares upon conversion of convertible note	1,207	—	—	—	(391)	—	—	816
Value of employee services under employee share option scheme	—	—	—	—	—	5	—	5
2004 final dividend paid	—	—	—	—	—	—	(168)	(168)
2005 interim dividend paid	—	—	—	—	—	—	(36)	(36)
Balance at December 31, 2005	4,631	(565)	—	72	769	15	835	5,757

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For the year ended December 31, 2005

HK\$ million	2004						Total
	Issued equity	Capital reserve	Property revaluation reserve	Convertible notes reserve	Employee share-based compensation reserve	(Deficit)/ Retained earnings	
Balance at December 31, 2003, as previously stated	—	—	263	—	—	(635)	(372)
Effect of changes in accounting policies (note 2(b)):							
– Prior period adjustment arising from retroactive adoption of HKAS 40	—	—	(263)	—	—	588	325
– Decrease in deferred tax arising from the revaluation of investment properties on adoption of HKAS-Int 21	—	—	—	—	—	110	110
– Increase in employee compensation expenses under share option scheme on adoption of HKFRS 2	—	—	—	—	3	(3)	—
Balance at December 31, 2003, as restated	—	—	—	—	3	60	63
Profit for 2004	—	—	—	—	—	352	352
Total recognised income for 2004	—	—	—	—	—	352	352
Decrease in capital reserve (note a)	—	(565)	—	—	—	—	(565)
Issue of ordinary shares, net of issuing expenses	3,215	—	—	—	—	—	3,215
Acquisition of subsidiaries	209	—	—	—	—	—	209
Equity arising from issue of convertible notes	—	—	—	1,160	—	—	1,160
Value of employee services under employee share option scheme	—	—	—	—	7	—	7
Balance at December 31, 2004	3,424	(565)	—	1,160	10	412	4,441

- a. Capital reserve of the Group represents difference between the carrying amounts of the net assets of Ipswich Holdings Limited, a then subsidiary of PCCW Limited (“PCCW”), and its subsidiaries (together the “Property Group”) and certain assets held by another subsidiary of PCCW and the stated value of the shares issued by Ipswich Holdings Limited in 2004 in exchange for the entire equity interests in the Property Group.