

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS"), also collectively referred to as Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention except that, as set out in notes 1(f) and 1(h) below, listed equity securities and investment properties are stated at fair value.

HKICPA is pursuing its policy objective of full convergence with the standards and interpretations established by the International Accounting Standards Board ("IASB"). To this end, the HKICPA has recently issued over a dozen new and revised HKFRSs, which are effective for the financial year beginning 1 January 2005, with the objective to eliminate, to the greatest extent possible, the differences that currently exist between HKFRSs and International Financial Reporting Standards ("IFRS"). Early adoption of these standards is encouraged. The Group has adopted retrospectively, where required, the current interpretations of four of those standards that are believed to have the most material effect on the Group's accounts and, as a result, the profit attributable to shareholders in 2004 and 2003 have been materially affected and the 2003 profit is required to be restated to be comparable on a consistent basis of accounting. The results of 2003 have been restated to reflect the Group's early adoption, with retrospective effect where applicable, of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets", HKAS 40 "Investment Property" and the adoption of Interpretation 22 "The Appropriate Accounting Policies for Infrastructure Facilities".

In 2004, prepaid 3G customer acquisition costs ("CAC") of HK\$8,423 million (2003 – HK\$917 million) previously capitalised have been expensed and capitalised postpaid 3G CAC are now amortised over 12 months, previously 36 months, resulting in increased amortisation expense in 2004 of HK\$1,472 million (2003 – HK\$612 million). In 2004, the increase in valuation of investment properties of HK\$5,302 million (2003 – decrease of HK\$1,705 million) has been included in the calculation of profit, having previously been credited directly to reserves. At 1 January 2004, goodwill totalling HK\$11,787 million deducted from reserves in previous years is not to be recognised in the profit or loss calculation on disposal of the related business and will remain as a reduction of reserves. In 2004, the Group sold 29.84% of Hutchison Telecommunications International and goodwill in reserves related to the disposal of this business of HK\$2,011 million was not included in the calculation of the profit. The net effect after taxation and minority interests of the adoption of these standards and their current interpretations, which align HKFRSs with IFRS, increased profit attributable to shareholders for the year ended 31 December 2004 by HK\$1,702 million and reduced profit attributable to the shareholders for the year ended 31 December 2003 by HK\$2,701 million. The opening shareholders' funds as at 1 January 2004 and 2003 have been reduced by HK\$3,498 million and HK\$2,579 million respectively.

1 Principal accounting policies (continued)

(a) Basis of preparation (continued)

The effect of these changes on the profit attributable to shareholders, the various balance sheet items and opening shareholders' funds is summarised below:

	HKFRS 3 (note 1m) HK\$ millions	HKAS 38 (note 1k) HK\$ millions	HKAS 40 (note 1h) HK\$ millions	Interpretation 22 (note 1e) HK\$ millions	Total 2004 HK\$ millions
Increase (decrease) in profit attributable to shareholders	2,757	(5,196)	4,336	(195)	1,702
Increase in goodwill	509	–	–	–	509
Increase in fixed assets	–	–	256	–	256
(Decrease) in telecommunications 3G customer acquisition costs	–	(11,337)	–	–	(11,337)
Increase in deferred tax assets	–	3,109	–	–	3,109
Increase (decrease) in associated companies	177	(87)	–	–	90
Increase (decrease) in interests in joint ventures	13	–	33	(1,797)	(1,751)
Decrease (increase) in deferred taxation liabilities	–	–	(2,784)	314	(2,470)
Decrease (increase) in minority interests	(52)	2,208	30	–	2,186
Increase (decrease) in net assets	647	(6,107)	(2,465)	(1,483)	(9,408)
(Decrease) in shareholders' funds at 1 January 2004	–	(911)	(1,299)	(1,288)	(3,498)

	HKFRS 3 HK\$ millions	HKAS 38 HK\$ millions	HKAS 40 HK\$ millions	Interpretation 22 HK\$ millions	Total 2003 HK\$ millions
(Decrease) in profit attributable to shareholders	–	(911)	(1,556)	(234)	(2,701)
Increase in fixed assets	–	–	408	–	408
(Decrease) in telecommunications 3G customer acquisition costs	–	(1,433)	–	–	(1,433)
Increase in deferred tax assets	–	437	–	–	437
(Decrease) in associated companies	–	(96)	–	–	(96)
Increase (decrease) in interests in joint ventures	–	–	104	(1,562)	(1,458)
Decrease (increase) in deferred taxation liabilities	–	–	(1,841)	274	(1,567)
Decrease in minority interests	–	181	30	–	211
(Decrease) in net assets	–	(911)	(1,299)	(1,288)	(3,498)
(Decrease) in shareholders' funds at 1 January 2003	–	–	(1,525)	(1,054)	(2,579)

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been early adopted by the Group. Whilst the Group believes the standards with the most material effect on the Group's accounts are those early adopted for 2004, the Group is not yet in a position to state whether the remaining new HKFRSs would have significant impact on its results of operations and net financial position.

1 Principal accounting policies (continued)**(b) Basis of consolidation**

The consolidated accounts of the Group include the accounts for the year ended 31 December 2004 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 1(d) and 1(e) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2004 or up to the dates of disposal as the case may be.

(c) Subsidiary companies

A company is a subsidiary company if more than 50% of the equity voting rights or issued share capital is held long term. In the consolidated accounts, subsidiary companies are accounted for as described in note 1(b) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(d) Associated companies

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

(e) Joint ventures

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

A joint venture is classified as other joint venture if it is held as a long term investment and is not an associated company nor a jointly controlled entity. Other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for impairment in value. Cost includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income is recognised on the accrual basis throughout the joint venture period.

Joint ventures include toll roads and infrastructure facilities. The depreciation of the toll roads and infrastructure facilities was previously provided for on the basis of a sinking fund or usage method over respective contract periods. Upon the adoption of the new Interpretation 22 on "The Appropriate Accounting Policies for Infrastructure Facilities", depreciation is provided for on a straight line basis over the contract periods of respective projects. It represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(f) Liquid funds and other listed investments

Liquid funds and other listed investments are investments in cash and cash equivalents, listed held-to-maturity debt securities and listed equity securities. Listed held-to-maturity debt securities are carried at cost less provision for impairment in value. Listed equity securities ("equity securities") represent listed investments in companies which are not subsidiary companies nor associated companies nor joint ventures and are carried at fair value. Changes in the fair value of equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of equity securities has declined below their cost and the decline is determined not to be temporary, a provision for impairment in value is charged to the profit and loss account. Upon disposal of equity securities, the relevant revaluation surplus or deficit is dealt with in the profit and loss account. Interest income from these investments are recognised on the accrual basis. Dividends from these investments are recognised when the right to receive payment is established.

1 Principal accounting policies (continued)

(g) Fixed assets

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 ¹ / ₃ – 33 ¹ / ₃ %
Container terminal equipment	5 – 20%
Telecommunications equipment	2.8 – 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed that are held for their investment potential. Such properties are carried in the balance sheet at their fair value based on existing use as determined by an annual professional valuation.

In previous years, the change in the fair value of investment properties were dealt with as movements in the investment properties revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Upon the adoption of HKAS 40, changes in fair values of investment properties which were previously taken directly to investment properties revaluation reserves are recorded in the consolidated profit and loss account. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(i) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on accrual basis.

(j) Telecommunications licences

Telecommunications spectrum licences acquired are stated at cost for the period from acquisition to the dates of first commercial usage of the related spectrum. Thereafter licences are stated net of accumulated amortisation and amortised on a straight line basis over the remaining licence periods.

1 Principal accounting policies (continued)**(k) Telecommunications 3G customer acquisition costs**

Costs to acquire 3G mobile telecommunications customers pursuant to a contract with early termination penalties ("Postpaid 3G CAC") are capitalised and amortised over the period that the penalties apply (the period of contractual control) which is generally a period of 12 months. In the event that a customer churns off the network within the contractual control period, any unamortised 3G customer acquisition costs are written off in the period in which the customer churns.

Costs to acquire prepaid 3G mobile telecommunications customers ("Prepaid 3G CAC") are expensed in the period incurred.

In previous years, costs to acquire postpaid and prepaid 3G mobile telecommunications customers were capitalised and amortised over the estimated customer relationship period of 36 months. This is a change in accounting policy that has been applied retrospectively and the comparative figures have been restated accordingly. The financial impact of this change in accounting policy is summarised in note 1(a).

(l) Other non-current assets

Other unlisted investments are investments in unlisted held-to-maturity debt securities and unlisted equity securities and advances. Unlisted equity securities represent unlisted investments in companies which are not subsidiary companies nor associated companies nor joint ventures. Other unlisted investments are carried at cost less provision for impairment in value.

(m) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

In accordance with HKFRS 3, goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the consolidated profit and loss account.

Amortisation of goodwill, which was in previous years amortised over its estimated useful life, ceased on 31 December 2003, and the related accumulated amortisation was eliminated against the cost of goodwill at 1 January 2004. Goodwill previously eliminated directly against reserves, totalling HK\$11.8 billion at 1 January 2004, is not reinstated on the balance sheet.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

The financial impact of this change in accounting policy is summarised in note 1(a).

(n) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

1 Principal accounting policies (continued)

(o) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development, telecommunications spectrum licences and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

(p) Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

(q) Stocks

Stocks consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other stocks are stated at the lower of cost and net realisable value.

(r) Deferred taxation

Deferred taxation is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(s) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension costs for defined benefit plans are using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of the greater of the present value of plan obligations and the fair value of plan assets at that date are recognised over the average remaining service lives of employees.

The Group's contributions to the defined contribution plans are charged to the profit and loss account in the year incurred.

Pension costs are charged against the profit and loss account within staff costs.

The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

1 Principal accounting policies (continued)**(t) Foreign exchange**

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in reserves.

(u) Derivative financial instruments

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes.

The Group enters into forward exchange contracts when it is deemed appropriate as hedges against its foreign currency exposures on foreign currency denominated assets and liabilities. Foreign currency swap agreements are used to manage exchange rate exposures mainly relating to certain debt instruments denominated in foreign currency. Foreign currency denominated borrowings are translated at the contracted swap rates where the Group has entered into currency swap arrangements.

The Group also enters into interest rate swaps to manage the fixed and floating interest rate mix of the Group's total debt portfolio and reduce the impact of fluctuating interest rates on its short-term and long-term debts. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the hedged debts is adjusted to include the payments made or received under the interest rate swaps.

(v) Dividends

Dividend distribution is recorded as a liability on the date of declaration.

2 Turnover

Turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. An analysis of turnover of the Company and subsidiary companies is as follows:

	2004 HK\$ millions	2003 HK\$ millions
Sales of goods	70,029	62,510
Rendering of services	58,975	37,473
Interest	5,302	4,632
Dividends	289	306
	134,595	104,921

3 Segment information

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Property and hotels is HK\$330 million (2003 – HK\$343 million), Retail and manufacturing is HK\$188 million (2003 – HK\$76 million) and Hutchison Telecommunications International is HK\$71 million (2003 – HK\$93 million).

The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items.

Telecommunications – 3 Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway and Ireland, and the 2G and 3G operations in Australia.

Business segment

	Turnover from external customers					
	Company and Subsidiaries	Associates and JCE	2004 Total	Company and Subsidiaries	Associates and JCE	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Established businesses						
Ports and related services	23,847	3,133	26,980	20,282	2,847	23,129
Property and hotels	4,909	4,208	9,117	5,637	5,587	11,224
Retail and manufacturing	68,024	6,421	74,445	59,156	4,789	63,945
Cheung Kong Infrastructure	2,683	9,727	12,410	2,647	8,920	11,567
Husky Energy	–	17,524	17,524	–	14,886	14,886
Finance and investments	4,457	334	4,791	3,884	381	4,265
Hutchison Telecommunications International	14,933	3,473	18,406	10,156	3,278	13,434
Subtotal – established businesses	118,853	44,820	163,673	101,762	40,688	142,450
Telecommunications – 3 Group	15,742	–	15,742	3,159	–	3,159
	134,595	44,820	179,415	104,921	40,688	145,609

3 Segment information (continued)

Business segment (continued)

	EBIT (LBIT) ^(a)					
	Company and Subsidiaries	Associates and JCE	2004 Total	Company and Subsidiaries	Associates and JCE	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Established businesses						
Ports and related services	7,597	1,270	8,867	6,585	1,012	7,597
Property and hotels	2,336	789	3,125	1,973	1,148	3,121
Retail and manufacturing	2,850	804	3,654	1,758	573	2,331
Cheung Kong Infrastructure	758	4,479	5,237	1,031	4,290	5,321
Husky Energy	–	2,793	2,793	–	3,462	3,462
Finance and investments	8,476	205	8,681	5,977	262	6,239
Hutchison Telecommunications International	(823)	846	23	453	572	1,025
	21,194	11,186	32,380	17,777	11,319	29,096
Change in fair value of investment properties	5,244	58	5,302	(1,809)	104	(1,705)
Subtotal – established businesses before profit on disposal of investments and others	26,438	11,244	37,682	15,968	11,423	27,391
Telecommunications – 3 Group^(b)						
LBIT before depreciation, amortisation and prepaid 3G CAC expense	(7,291)	–	(7,291)	(11,571)	–	(11,571)
Prepaid 3G CAC expense	(8,423)	–	(8,423)	(917)	–	(917)
LBIT before depreciation and amortisation and after prepaid 3G CAC expense	(15,714)	–	(15,714)	(12,488)	–	(12,488)
Depreciation	(8,447)	–	(8,447)	(4,015)	–	(4,015)
Amortisation of licence fees	(5,669)	–	(5,669)	(2,185)	–	(2,185)
Amortisation of postpaid 3G CAC	(7,666)	–	(7,666)	(997)	–	(997)
Subtotal – 3 Group before profit on disposal of investments and others	(37,496)	–	(37,496)	(19,685)	–	(19,685)
Profit on disposal of investments and others^(c)	19,181	–	19,181	8,893	–	8,893
	8,123	11,244	19,367	5,176	11,423	16,599

(a) EBIT (LBIT) is defined as earnings (losses) before interest expense and finance costs, taxation and minority interests.

(b) Included in LBIT of Telecommunications – 3 Group for the year are contributions from key suppliers totalling HK\$3,381 million (2003 – nil) which resulted from discussions with some of our key 3G suppliers regarding the adverse effects of delays and the small beginning of the year customer base on revenues and costs.

(c) Profit on disposal of investments and others in 2004 represents a profit of HK\$13,759 million on the disposal of Procter & Gamble-Hutchison, a profit of HK\$1,300 million from the partial disposal of Hutchison Global Communications and a profit of HK\$4,100 million from the partial disposal of Hutchison Telecommunications International Limited, a reversal of provisions previously made against equity securities of HK\$813 million and less a write-off of the Group's premium on acquisition of certain infrastructure joint ventures in the Mainland amounting to HK\$791 million. The comparative amounts in 2003 represent a profit of HK\$1,683 million on the disposal of the European water businesses and a profit of HK\$2,627 million from the disposal of equity investments in Vodafone and Deutsche Telekom, a release of provisions amounting to HK\$7,810 million less a full write-off of the HK\$3,111 million investment in Global Crossing and other net non-recurring charge of HK\$116 million.

3 Segment information (continued)

Business segment (continued)

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JCE	2004 Total	Company and Subsidiaries	Associates and JCE	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Established businesses						
Ports and related services	2,595	369	2,964	2,326	357	2,683
Property and hotels	234	81	315	227	91	318
Retail and manufacturing	1,500	157	1,657	1,732	236	1,968
Cheung Kong Infrastructure	234	1,845	2,079	236	1,959	2,195
Husky Energy	–	2,810	2,810	–	2,342	2,342
Finance and investments	72	1	73	76	1	77
Hutchison Telecommunications International	3,846	335	4,181	1,372	500	1,872
Subtotal – established businesses	8,481	5,598	14,079	5,969	5,486	11,455
Telecommunications – 3 Group	21,782	–	21,782	7,197	–	7,197
	30,263	5,598	35,861	13,166	5,486	18,652

	Capital expenditures Company and subsidiaries	
	2004	2003
	HK\$ millions	HK\$ millions
Established businesses		
Ports and related services	4,654	6,559
Property and hotels	794	2,175
Retail and manufacturing	2,331	1,475
Cheung Kong Infrastructure	77	83
Husky Energy	–	–
Finance and investments	22	41
Hutchison Telecommunications International	4,876	3,955
Subtotal – established businesses	12,754	14,288
Telecommunications – 3 Group	21,428	23,422
	34,182	37,710

3 Segment information (continued)

Business segment (continued)

					Total assets			
	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2004 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2003 Total assets
	Segment assets ^(e)	Deferred tax assets	HK\$ millions		HK\$ millions	HK\$ millions	HK\$ millions	
Established businesses								
Ports and related services	66,666	98	6,945	73,709	61,794	59	6,508	68,361
Property and hotels	41,939	1	20,177	62,117	36,937	1	19,502	56,440
Retail and manufacturing	32,796	319	2,349	35,464	28,692	416	2,579	31,687
Cheung Kong Infrastructure	16,787	5	40,782	57,574	15,014	1	40,054	55,069
Husky Energy	-	-	17,677	17,677	-	-	15,000	15,000
Finance and investments	134,175	1	1,090	135,266	179,922	2	945	180,869
Hutchison Telecommunications International	31,834	774	2,275	34,883	22,105	715	4,041	26,861
Subtotal – established businesses	324,197	1,198	91,295	416,690	344,464	1,194	88,629	434,287
Telecommunications – 3 Group^(d)	219,359	18,186	-	237,545	178,667	8,581	-	187,248
	543,556	19,384	91,295	654,235	523,131	9,775	88,629	621,535

	Goodwill	
	2004 HK\$ millions	2003 HK\$ millions
Established businesses		
Ports and related services	276	263
Retail and manufacturing	8,265	7,519
Cheung Kong Infrastructure	257	-
Hutchison Telecommunications International	1,174	801
Subtotal – established businesses	9,972	8,583
Telecommunications – 3 Group	269	-
	10,241	8,583

3 Segment information (continued)

Business segment (continued)

	Total liabilities					
	Segment liabilities ^(f)	Current & Deferred tax liabilities	2004 Total liabilities	Segment liabilities ^(f)	Current & Deferred tax liabilities	2003 Total liabilities
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Established businesses						
Ports and related services	32,005	6,214	38,219	28,580	6,549	35,129
Property and hotels	2,993	3,371	6,364	3,293	2,263	5,556
Retail and manufacturing	35,285	768	36,053	26,160	610	26,770
Cheung Kong Infrastructure	14,424	1,947	16,371	13,131	1,955	15,086
Husky Energy	–	879	879	–	754	754
Finance and investments	71,251	410	71,661	160,320	35	160,355
Hutchison Telecommunications International	24,079	165	24,244	12,422	49	12,471
Subtotal – established businesses	180,037	13,754	193,791	243,906	12,215	256,121
Telecommunications – 3 Group	162,513	37	162,550	75,851	9	75,860
	342,550	13,791	356,341	319,757	12,224	331,981

- (d) Included in this amount is an unrealised foreign currency exchange gain arising in 2004 of HK\$13,099 million (2003 – HK\$17,463 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.
- (e) Segment assets comprise fixed assets, telecommunications licences, telecommunications 3G customer acquisition costs, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets.
- (f) Segment liabilities comprise bank and other loans, notes and bonds, trade payables, other payables, accruals and pension obligations.

3 Segment information (continued)

Geographical segment

	Turnover from external customers					
	Company and Subsidiaries	Associates and JCE	2004 Total	Company and Subsidiaries	Associates and JCE	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	36,081	10,634	46,715	35,628	9,599	45,227
Mainland China	10,794	6,666	17,460	8,407	7,876	16,283
Asia and Australia	23,521	6,626	30,147	15,944	6,014	21,958
Europe	57,091	3,225	60,316	38,146	2,164	40,310
Americas and others	7,108	17,669	24,777	6,796	15,035	21,831
	134,595	44,820	179,415	104,921	40,688	145,609

	EBIT (LBIT) ^(a)					
	Company and Subsidiaries	Associates and JCE	2004 Total	Company and Subsidiaries	Associates and JCE	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	10,131	4,291	14,422	4,209	3,685	7,894
Mainland China	3,283	1,695	4,978	2,256	2,587	4,843
Asia and Australia	(1,053)	2,171	1,118	295	1,365	1,660
Europe	(27,692)	262	(27,430)	(13,917)	268	(13,649)
Americas and others	4,273	2,825	7,098	3,440	3,518	6,958
	(11,058)	11,244	186	(3,717)	11,423	7,706
Profit on disposal of investments and others ^(c)	19,181	–	19,181	8,893	–	8,893
	8,123	11,244	19,367	5,176	11,423	16,599

	Capital expenditures Company and subsidiaries	
	2004	2003
	HK\$ millions	HK\$ millions
Hong Kong	2,609	5,493
Mainland China	2,010	3,724
Asia and Australia	6,481	4,260
Europe	21,955	23,085
Americas and others	1,127	1,148
	34,182	37,710

3 Segment information (continued)

Geographical segment (continued)

	Total assets							
	Company and Subsidiaries				Investments in associated companies and interests in joint ventures			
	Segment assets ^(e)	Deferred tax assets	companies and interests in joint ventures	2004 Total assets	Company and subsidiaries Segment assets ^(e)	Deferred tax assets	companies and interests in joint ventures	2003 Total assets
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong	98,413	414	29,623	128,450	91,851	280	29,074	121,205
Mainland China	19,001	31	24,316	43,348	16,282	32	26,000	42,314
Asia and Australia	52,368	439	16,514	69,321	34,276	456	15,893	50,625
Europe	271,493	18,466	1,911	291,870	225,668	8,971	964	235,603
Americas and others	102,281	34	18,931	121,246	155,054	36	16,698	171,788
	543,556	19,384	91,295	654,235	523,131	9,775	88,629	621,535

4 Interest and other finance costs

	2004 HK\$ millions	2003 HK\$ millions
Company and subsidiary companies		
Bank loans and overdrafts	4,542	4,320
Other loans repayable within 5 years	1,549	841
Other loans not wholly repayable within 5 years	362	267
Notes and bonds repayable within 5 years	982	1,942
Notes and bonds not wholly repayable within 5 years	4,484	2,695
	11,919	10,065
Less: interest capitalised	(869)	(2,350)
	11,050	7,715
Share of associated companies	1,411	1,407
Share of jointly controlled entities	251	446
	12,712	9,568

5 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director are as below:

Name of directors	Fees HK\$ millions	Basic salaries, allowances and benefits-in-kind HK\$ millions	Bonuses HK\$ millions	Provident fund contributions HK\$ millions	Inducement or compensation fees HK\$ millions	2004 Total emoluments HK\$ millions	2003 Total emoluments HK\$ millions
Li Ka-shing ⁽¹⁾	0.05	-	-	-	-	0.05	0.05
Li Tzar Kuoi, Victor							
<i>Paid by the Company</i>	0.10	4.44	27.50	-	-	32.04	29.49
<i>Paid by Cheung Kong Infrastructure</i>	0.07	-	6.24	-	-	6.31	5.57
<i>Paid to the Company</i>	(0.07)	-	-	-	-	(0.07)	(0.05)
	0.10	4.44	33.74	-	-	38.28	35.01
FOK Kin-ning, Canning ⁽²⁾	0.10	9.76	124.85	1.93	-	136.64	125.25
CHOW WOO Mo Fong, Susan ⁽²⁾	0.10	7.05	28.60	1.40	-	37.15	34.46
Frank John SIXT ⁽²⁾	0.10	7.05	27.50	0.61	-	35.26	32.67
LAI Kai Ming, Dominic ⁽²⁾	0.10	4.41	10.00	0.77	-	15.28	13.06
George Colin MAGNUS ⁽²⁾	0.10	4.03	3.50	-	-	7.63	7.58
KAM Hing Lam							
<i>Paid by the Company</i>	0.10	2.25	6.93	-	-	9.28	8.60
<i>Paid by Cheung Kong Infrastructure</i>	0.07	4.20	2.64	-	-	6.91	6.89
<i>Paid to the Company</i>	(0.07)	(4.20)	-	-	-	(4.27)	(4.25)
	0.10	2.25	9.57	-	-	11.92	11.24
William SHURNIAK ^{(4) (5)}	0.20	-	-	-	-	0.20	0.10
Michael David KADOORIE ⁽³⁾	0.10	-	-	-	-	0.10	0.05
Holger KLUGE ^{(3) (5)}	0.05	-	-	-	-	0.05	-
LI Fook-wo ⁽³⁾	-	-	-	-	-	-	0.05
Simon MURRAY ⁽³⁾	0.10	-	-	-	-	0.10	0.05
OR Ching Fai, Raymond ⁽³⁾	0.10	-	-	-	-	0.10	0.05
Peter Alan Lee VINE ^{(3) (5)}	0.20	-	-	-	-	0.20	0.10
WONG Chung Hin ^{(3) (5)}	0.20	-	-	-	-	0.20	0.10
Total for the year 2004	1.70	38.99	237.76	4.71	-	283.16	259.82
Total for the year 2003	0.90	39.15	215.06	4.71	-		259.82

- (1) No management remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 which he paid to Cheung Kong (Holdings) Limited.
- (2) Directors' fees received by these directors from the Company's listed subsidiaries have been paid to the Company and are not included in the amounts above.
- (3) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK\$0.75 million (2003 – HK\$0.35 million).
- (4) Non-executive director
- (5) Members of the Audit Committee

5 Directors' emoluments (continued)

The Company does not have an option scheme for the purchase of ordinary shares in the Company.

In 2004, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK\$3.95 million; provident fund contribution – HK\$0.48 million; and bonus – HK\$55.0 million. In 2003, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK\$7.0 million; provident fund contribution – HK\$1.1 million; and bonus – HK\$19.0 million.

6 Taxation

	Current taxation	Deferred taxation	2004 Total	Current taxation	Deferred taxation	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Hong Kong						
Subsidiary companies	747	1,053	1,800	602	(35)	567
Associated companies	432	(9)	423	430	241	671
Jointly controlled entities	68	4	72	66	11	77
Outside Hong Kong						
Subsidiary companies	1,639	(8,244)	(6,605)	997	(6,566)	(5,569)
Associated companies	695	284	979	365	268	633
Jointly controlled entities	195	94	289	298	227	525
	3,776	(6,818)	(3,042)	2,758	(5,854)	(3,096)

Hong Kong profits tax has been provided for at the rate of 17.5% (2003 – 17.5%) on the estimated assessable profits less estimated available tax losses. Taxation outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, the Group recognised deferred tax assets related to the start up losses of 3G businesses in various countries totalling HK\$8,589 million (2003 – HK\$6,762 million) (see note 15).

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	Established businesses	Telecom- munications – 3 Group	2004 Total	2003 Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Tax calculated at the domestic rates applicable in the country concerned	5,912	(12,831)	(6,919)	(3,000)
Tax losses not recognised	898	2,147	3,045	2,077
Tax incentives	(573)	–	(573)	(1,505)
Income not subject to taxation	(885)	(228)	(1,113)	(296)
Expenses not deductible for taxation purposes	855	–	855	644
Recognition of previously unrecognised tax losses	(123)	–	(123)	(799)
Utilisation of previously unrecognised tax losses	(231)	–	(231)	(285)
Under (over) provision in prior years	(12)	186	174	78
Deferred tax assets written off	438	2,137	2,575	84
Others temporary differences	(232)	–	(232)	(441)
Effect of change in tax rate	(500)	–	(500)	347
Total taxation	5,547	(8,589)	(3,042)	(3,096)

7 Dividends

	2004 HK\$ millions	2003 HK\$ millions
Interim, paid of HK\$0.51 per share (2003 – HK\$0.51)	2,174	2,174
Final, proposed of HK\$1.22 per share (2003 – HK\$1.22)	5,201	5,201
	7,375	7,375

8 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$16,128 million (2003 – HK\$11,677 million, as restated) and on 4,263,370,780 shares in issue during 2004 (2003 – 4,263,370,780 shares).

9 Fixed assets

	Investment properties HK\$ millions	Other properties HK\$ millions	Other assets HK\$ millions	2004 Total HK\$ millions	2003 Total HK\$ millions
Cost or valuation					
At 1 January, as previously reported	27,469	62,416	133,496	223,381	181,391
Prior year adjustments (note 1a)	(1,577)	2,172	–	595	576
At 1 January, as restated	25,892	64,588	133,496	223,976	181,967
Exchange translation differences	–	1,060	7,802	8,862	9,639
Additions	53	3,017	31,112	34,182	37,710
Disposals	(24)	(761)	(4,937)	(5,722)	(2,876)
Relating to subsidiaries acquired	23	295	7,767	8,085	2,237
Relating to subsidiaries disposed of	–	(24)	(87)	(111)	(1,109)
Revaluation	5,244	–	–	5,244	(1,809)
Transfer to current assets	–	(645)	(1,225)	(1,870)	(1,776)
Transfer between categories	553	646	(1,209)	(10)	(7)
At 31 December	31,741	68,176	172,719	272,636	223,976
Accumulated depreciation and impairment					
At 1 January, as previously reported	–	9,413	32,869	42,282	32,678
Prior year adjustments (note 1a)	–	187	–	187	156
At 1 January, as restated	–	9,600	32,869	42,469	32,834
Exchange translation differences	–	258	2,097	2,355	2,019
Charge for the year	–	1,866	14,021	15,887	9,485
Impairment recognised	–	31	1,422	1,453	228
Disposals	–	(121)	(2,561)	(2,682)	(2,309)
Relating to subsidiaries acquired	–	82	2,785	2,867	572
Relating to subsidiaries disposed of	–	(5)	(82)	(87)	(385)
Transfer from (to) current assets	–	7	(560)	(553)	32
Transfer between categories	–	89	(99)	(10)	(7)
At 31 December	–	11,807	49,892	61,699	42,469
Net book value at 31 December	31,741	56,369	122,827	210,937	181,507
Cost or valuation at 31 December					
At cost	–	68,176	172,719	240,895	198,083
At valuation	31,741	–	–	31,741	25,893
	31,741	68,176	172,719	272,636	223,976

9 Fixed assets (continued)

Net book value of investment properties and other properties comprises:

	2004 HK\$ millions	2003 HK\$ millions
Hong Kong		
Long leasehold (not less than 50 years)	16,285	15,762
Medium leasehold (less than 50 years but not less than 10 years)	36,314	32,019
Short leasehold (less than 10 years)	16	22
Outside Hong Kong		
Freehold	8,834	8,668
Long leasehold	2,089	2,243
Medium leasehold	22,811	20,535
Short leasehold	1,761	1,631
	88,110	80,880

Investment properties have been revalued as at 31 December 2004 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

Other properties include projects under development in the amount of HK\$2,003 million (2003 – HK\$2,981 million).

Cost and net book value of fixed assets include HK\$95,242 million (2003 – HK\$70,920 million) and HK\$81,579 million (2003 – HK\$65,613 million) respectively relating to 3G businesses. A review was undertaken at 31 December 2004 to assess the carrying value of the Group's 3G telecommunications fixed assets. The results of the review indicated that no impairment charge was necessary. See note 10 below.

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2004 HK\$ millions	2003 HK\$ millions
Within 1 year	1,312	1,308
After 1 year, but within 5 years	2,156	2,359
After 5 years	394	978

10 Telecommunications licences

	2004 HK\$ millions	2003 HK\$ millions
Net book value at 1 January	97,926	88,519
Exchange translation differences	8,170	11,466
Relating to subsidiaries acquired	1,653	–
Additions	182	126
Amortisation for the year	(5,793)	(2,185)
Net book value at 31 December	102,138	97,926
Cost	111,296	100,124
Accumulated amortisation	(9,158)	(2,198)
	102,138	97,926

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. A review was undertaken at 31 December 2004 to assess whether the carrying value of the Group's 3G telecommunications fixed assets and licences was supported by the net present value of future cash flows derived from these assets using cash flow projections for each business. The results of the review undertaken at 31 December 2004 indicated that no impairment charge was necessary.

Cash flow projections for the 3G businesses reflect investments in telecommunications spectrum licences and network infrastructure to provide voice and increasing demand for non-voice value added services such as content, multi-media messaging and video services which are forecast to be significant drivers of future revenue as well as investments in customer acquisitions. Capital expenditure and customer acquisition costs are heaviest in the early years of projections but are forecast to decline progressively as a percentage of revenues. Forecast revenue growth and profitability are driven by a combination of new customers and improving operating margins driven in part by a change in the mix of voice and non-voice revenues and enhanced customer propositions. Projections in excess of five years are used to take into account contracted telecommunications spectrum licence periods, increasing market share and growth momentum. The discount rates for the review were based on country specific pre-tax weighted average cost of capital percentages and ranged from 8% to 12%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

11 Telecommunications 3G customer acquisition costs

	2004 HK\$ millions	2003 HK\$ millions
Net book value at 1 January, as previously reported	3,080	–
Prior year adjustments (note 1a)	(1,433)	–
Net book value at 1 January, as restated	1,647	–
Exchange translation differences	955	(64)
Additions of postpaid 3G CAC	12,804	2,782
Amortisation for the year	(8,583)	(1,071)
Net book value at 31 December	6,823	1,647
Cost	13,647	2,743
Accumulated amortisation	(6,824)	(1,096)
	6,823	1,647

12 Goodwill

	2004 HK\$ millions	2003 HK\$ millions
Net book value at 1 January	8,583	7,838
Exchange translation differences	361	1,023
Additional goodwill recognised	1,646	431
Relating to subsidiaries disposed of	(349)	(284)
Amortisation for the year	–	(425)
Net book value at 31 December	10,241	8,583
Cost	10,241	9,463
Accumulated amortisation	–	(880)
	10,241	8,583

Goodwill is allocated to business segments as presented in note 3.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates, to reflect the risks involved, ranging from 8% to 15%. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

13 Associated companies

	2004 HK\$ millions	2003 HK\$ millions
Unlisted shares	1,646	1,543
Listed shares, Hong Kong	9,512	9,683
Listed shares, outside Hong Kong	10,928	10,928
Share of undistributed post acquisition reserves	20,109	16,146
Investments in associated companies	42,195	38,300
Amounts due from associated companies	13,405	13,004
Amounts due to associated companies	(268)	(268)
	55,332	51,036

The market value of the listed investments at 31 December 2004 was HK\$67,676 million (2003 – HK\$53,155 million).

Particulars regarding the principal associated companies are set forth on pages 165 to 170.

The assets, liabilities, turnover and results of the Group's principal associated companies, which are listed companies, are as follows:

	TOM Group Limited HK\$ millions	Partner Communications Company Ltd US\$ millions	Husky Energy Inc C\$ millions	Hongkong Electric Holdings Limited HK\$ millions
As at 31 December 2004				
Total assets	7,894	1,041	13,238	58,967
Current liabilities	2,255	200	1,594	2,916
Long term liabilities	2,447	473	5,166	18,195
Minority interests	710	–	–	–
Total equity	2,482	368	6,478	37,856
For the year ended 31 December 2004				
Turnover	2,595	1,193	8,440	11,407
Profit attributable to shareholders	860	109	1,006	6,280

13 Associated companies (continued)

	TOM Group Limited HK\$ millions	Partner Communications Company Ltd US\$ millions	Husky Energy Inc C\$ millions	Hongkong Electric Holdings Limited HK\$ millions
As at 31 December 2003				
Total assets	5,257	998	11,946	56,712
Current liabilities	2,206	174	1,456	3,865
Long term liabilities	1,269	579	4,579	17,536
Minority interests	163	–	–	–
Total equity	1,619	245	5,911	35,311
For the year ended 31 December 2003				
Turnover	2,089	1,020	7,658	11,250
Profit attributable to shareholders	13	266	1,334	6,057

The above information is extracted from the respective company's 2004 annual report which is available on their websites.

14 Interests in joint ventures

	2004 HK\$ millions	2003 HK\$ millions
Jointly controlled entities		
Unlisted shares	15,253	18,424
Share of undistributed post acquisition reserves	(2,725)	(5,971)
Investments in jointly controlled entities	12,528	12,453
Amounts due from jointly controlled entities	21,559	22,286
Amounts due to jointly controlled entities	(523)	(490)
	33,564	34,249
Other joint ventures		
Cost of investments	2,174	3,107
Amounts due from other joint ventures	225	237
	2,399	3,344
	35,963	37,593

Particulars regarding the principal jointly controlled entities are set forth on pages 165 to 170.

15 Deferred taxation

	2004 HK\$ millions	2003 HK\$ millions
Deferred tax assets	19,384	9,775
Deferred tax liabilities	11,893	10,599
Net deferred tax assets (liabilities)	7,491	(824)

Movements in net deferred tax assets (liabilities) are as follows:

	2004 HK\$ millions	2003 HK\$ millions
At 1 January, as previously reported	306	(6,648)
Prior year adjustments (note 1a)	(1,130)	(1,798)
At 1 January, as restated	(824)	(8,446)
Exchange translation differences	795	1,080
Relating to subsidiaries acquired	46	(370)
Relating to subsidiaries disposed of	–	7
Transfer to current tax	321	344
Net charge to reserves	(38)	(40)
Net credit for the year	7,191	6,601
At 31 December	7,491	(824)

Analysis of net deferred tax assets (liabilities):

	2004 HK\$ millions	2003 HK\$ millions
Unused tax losses	20,190	11,147
Accelerated depreciation allowances	(2,855)	(2,704)
Investments in subsidiary and associated companies and joint ventures	(6,018)	(6,370)
Revaluation of investment properties and other investments	(2,903)	(1,932)
Withholding tax on unremitted earnings	(938)	(703)
Other temporary differences	15	(262)
	7,491	(824)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts as shown in the consolidated balance sheet are determined after appropriate offset.

At 31 December 2004, the Group has recognised deferred tax assets amounting to HK\$19,384 million (2003 – HK\$9,775 million) of which HK\$18,187 million (2003 – HK\$8,581 million) relates to the Group's 3G businesses.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the profit and loss account.

15 Deferred taxation (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring start-up losses as the businesses develop. The ultimate realisation of these deferred tax assets depend principally on these businesses achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. Based on the taxable profit and loss projections of these businesses, it is more likely than not that the Group can fully utilise the deferred tax assets recognised within the utilisation periods. It may be necessary for some or all of these deferred tax assets be reduced and charged to the profit and loss account if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used in the taxable profit and loss projections can significantly affect these taxable profit and loss projections.

As shown below, the Group has not recognised deferred tax assets arising from unutilised tax losses amounting to HK\$12,455 million at 31 December 2004 (2003 – HK\$6,766 million) where it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses.

The potential deferred tax assets (liabilities) which have not been provided for in the accounts are as follows:

	2004 HK\$ millions	2003 HK\$ millions
Arising from unutilised tax losses	12,455	6,766
Arising from accelerated depreciation allowances	(536)	(789)
Arising from deductible temporary differences	15	(306)

The unrecognised tax losses carried forward amounted to HK\$48,276 million at 31 December 2004 (31 December 2003 – HK\$29,685 million), out of which HK\$25,644 million (31 December 2003 – HK\$9,272 million) is attributable to the start up 3G businesses. Of these, HK\$36,098 million (2003 – HK\$27,745 million) can be carried forward indefinitely. The remaining HK\$12,178 million (2003 – HK\$1,940 million) expires in the following years:

	2004 HK\$ millions	2003 HK\$ millions
In the first year	134	118
In the second year	210	121
In the third year	564	133
In the fourth year	1,385	158
In the fifth to tenth years inclusive	9,885	1,410
	12,178	1,940

16 Other non-current assets

	2004 HK\$ millions	2003 HK\$ millions
Other unlisted investments		
Held-to-maturity debt securities	175	509
Equity securities and advances	5,814	4,238
Others	2,241	2,935
	8,230	7,682

17 Liquid funds and other listed investments

	2004 HK\$ millions	2003 HK\$ millions
Managed funds, outside Hong Kong		
Listed held-to-maturity debt securities	43,615	42,998
Cash and cash equivalents	2,734	2,814
	46,349	45,812
Listed held-to-maturity debt securities	6,684	20,020
Long term deposits	3,840	316
Equity securities		
Listed equity securities, Hong Kong	5,010	4,410
Listed equity securities, outside Hong Kong	4,620	3,051
	66,503	73,609
Less: current portion	–	(9,680)
	66,503	63,929

The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2004 was HK\$61,898 million (2003 – HK\$73,390 million).

Listed held-to-maturity debt securities including those held under managed funds as at 31 December 2004 are analysed as follows:

	Percentage
Credit ratings	
Aaa/AAA	83%
Aa1/AA+	4%
Aa2/AA	4%
Aa3/AA-	9%
	100%
Sectorial	
US Treasury notes	45%
Government issued guaranteed notes	24%
Supranational notes	16%
Others	15%
	100%

18 Current assets

	2004 HK\$ millions	2003 HK\$ millions
Stocks	17,970	11,966
Trade receivables	19,002	6,916
Other receivables and prepayments	27,914	21,362
Current portion of liquid funds and other listed investments	–	9,680
Total other current assets	64,886	49,924
Cash and cash equivalents	73,798	111,933
	138,684	161,857

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

At 31 December, the ageing analysis of the trade receivables is as follows:

	2004 HK\$ millions	2003 HK\$ millions
Current	14,807	4,081
31–60 days	2,007	1,378
61–90 days	848	502
Over 90 days	1,340	955
	19,002	6,916

The Group's 5 largest customers contributed less than 5% of the Group's turnover.

19 Current liabilities

	2004 HK\$ millions	2003 HK\$ millions
Bank loans	21,458	13,908
Other loans	1,660	946
US\$2,657 million exchangeable notes, 2% due 2004	–	20,723
Other notes and bonds		
HK\$ notes, HIBOR + 0.8% due 2004	–	1,500
Trade payables	16,860	11,978
Other payables and accruals	46,650	39,560
Taxation	1,898	1,625
	88,526	90,240

The bank loans include project financing for 3G businesses totalling HK\$1,192 million (2003 – HK\$1,999 million) which are guaranteed by the Group.

The bank and other loans of the Group are secured to the extent of HK\$4,118 million (2003 – HK\$1,059 million).

19 Current liabilities (continued)

At 31 December, the ageing analysis of the trade payables is as follows:

	2004	2003
	HK\$ millions	HK\$ millions
Current	11,436	9,007
31–60 days	3,299	1,930
61–90 days	857	539
Over 90 days	1,268	502
	16,860	11,978

The Group's 5 largest suppliers accounted for approximately 10% of the Group's cost of purchases.

20 Long term liabilities

	2004	2003
	HK\$ millions	HK\$ millions
Bank loans		
Repayable within 5 years	91,226	84,280
Not wholly repayable within 5 years	51,194	27,056
Less: current portion	(21,458)	(13,908)
	120,962	97,428
Other loans		
Repayable within 5 years	3,281	7,413
Not wholly repayable within 5 years	7,275	4,013
Less: current portion	(1,660)	(946)
	8,896	10,480
Other notes and bonds		
US\$750 million notes-Series A, 6.95% due 2007	5,807	5,807
US\$500 million notes-Series B, 7.45% due 2017	3,871	3,871
US\$500 million notes-Series C, 7.5% due 2027	3,871	3,871
US\$250 million notes-Series D, 6.988% due 2037	1,935	1,935
US\$175 million notes, LIBOR + 0.45% due 2008	1,365	1,365
US\$1,500 million notes, 7% due 2011	11,700	11,700
US\$3,500 million notes, 6.5% due 2013	27,300	27,300
US\$1,500 million notes, 5.45% due 2010	11,700	11,700
US\$2,000 million notes, 6.25% due 2014	15,600	15,600
US\$1,500 million notes, 7.45% due 2033	11,700	11,700
EUR500 million bonds, 5.5% due 2006	5,225	4,815
EUR1,000 million notes, 5.875% due 2013	10,450	8,997
GBP325 million bonds, 6.75% due 2015	4,852	4,449
AUD425 million notes, 6.5% due 2006	2,533	2,427
AUD800 million notes, BBSW + 0.65% due 2008	4,768	4,568
JPY30,000 million notes, 3.5% due 2032	2,244	2,169
	124,921	122,274
	254,779	230,182

20 Long term liabilities (continued)

The long term liabilities include financing for 3G businesses totalling HK\$134,190 million (2003 – HK\$57,538 million) of which HK\$105,161 million (2003 – HK\$23,194 million) were guaranteed by the Group.

The bank and other loans of the Group are secured to the extent of HK\$52,891 million (2003 – HK\$52,815 million) of which HK\$29,029 million (2003 – HK\$34,345 million) and HK\$22,990 million (2003 – HK\$16,187 million) are non guaranteed and guaranteed loans respectively for 3G businesses included in the financing amounts above.

The US\$250 million notes-Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

The loans are repayable as follows:

	2004 HK\$ millions	2003 HK\$ millions
Bank loans		
After 1 year, but within 2 years	17,242	25,797
After 2 years, but within 5 years	61,703	44,787
After 5 years	42,017	26,844
Other loans		
After 1 year, but within 2 years	970	4,929
After 2 years, but within 5 years	3,344	1,738
After 5 years	4,582	3,813
Other notes and bonds		
After 1 year, but within 2 years	7,758	–
After 2 years, but within 5 years	11,940	18,981
After 5 years	105,223	103,293
	254,779	230,182

The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings. At 31 December 2004, outstanding interest rate swap agreements with financial institutions amounted to HK\$97,458 million (2003 – HK\$106,350 million). In addition, HK\$10,956 million (2003 – HK\$6,062 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. The fair value of these swap agreements as at 31 December 2004 would result in a loss, if realised, of HK\$670 million. The fair value is calculated as the present value of the estimated future cash flows.

The Group has entered into currency swap arrangements with banks to swap non HK dollar borrowings of HK\$650 million (2003 – HK\$8,997 million) to US dollar borrowings, US dollar borrowings of HK\$1,365 million (2003 – HK\$1,365 million) to non US dollar borrowings and non US dollar borrowings of HK\$3,606 million (2003 – HK\$2,555 million) to non US dollar borrowings to match currency exposure of the underlying businesses. As at 31 December 2004, non HK dollar borrowings are translated at foreign currency market rates at the balance sheet date or at the contracted swap rates where the Group has entered into currency swap arrangements.

21 Pledge of assets

At 31 December 2004, the Group's share of H3G S.p.A. and its respective assets were pledged as security for 3G project financing facilities, while facilities for Hutchison 3G UK Limited were fully repaid in 2004. The assets pledged amounted to HK\$83,273 million (2003 – HK\$164,818 million) as at 31 December 2004. In addition, HK\$41,107 million (2003 – HK\$17,628 million) of assets were pledged as security for bank and other loans of the Group.

22 Pension obligations

	2004 HK\$ millions	2003 HK\$ millions
Defined benefit plans		
Plan obligations	1,143	960

Movements in the net defined benefit plan obligations are as follows:

	2004 HK\$ millions	2003 HK\$ millions
At 1 January	960	695
Exchange translation differences	78	30
Liabilities acquired in business acquisition	14	–
Total expense	593	669
Contributions paid	(502)	(434)
At 31 December	1,143	960

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

22 Pension obligations (continued)

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non contributory guaranteed return defined contribution plans.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2003 and 31 December 2004 using the projected unit credit method to account for the Group's pension accounting costs in accordance with SSAP 34 "Employee Benefits".

The principal actuarial assumptions used for accounting purposes are as follows:

	2004	2003
Discount rate applied to defined benefit plan obligations	3.50% – 10.00%	4.50% – 9.00%
Expected return on plan assets	4.50% – 11.00%	4.29% – 9.00%
Future salary increases	2.00% – 4.90%	3.00% – 4.00%
Interest credited on plan accounts	5.00% – 6.00%	5.00% – 6.00%

The amount recognised in the consolidated balance sheet is determined as follows:

	2004 HK\$ millions	2003 HK\$ millions
Present value of defined benefit obligations	10,401	8,282
Fair value of plan assets	7,977	6,339
Deficit	2,424	1,943
Unrecognised actuarial loss	(1,010)	(637)
Unrecognised liabilities on initial adoption of SSAP 34	(271)	(346)
Net defined benefit plan obligations	1,143	960

Fair value of plan assets of HK\$7,977 million (2003 – HK\$6,339 million) includes investments in the Company's shares with a fair value of HK\$57 million (2003 – HK\$34 million).

22 Pension obligations (continued)**(a) Defined benefit plans** (continued)

The amount recognised in the consolidated profit and loss account is as follows:

	2004	2003
	HK\$ millions	HK\$ millions
Current service cost	500	523
Past service cost	–	13
Amortisation of unrecognised liabilities on initial adoption of SSAP 34	97	65
Interest cost	446	398
Expected return on plan assets	(463)	(378)
Net actuarial loss recognised	13	48
Total expense	593	669
Less: expense capitalised	(22)	(17)
Total, included in staff costs	571	652

The actual gain on plan assets in 2004 was HK\$566 million (2003 – HK\$698 million).

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2004. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 29 February 2004 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 28 February 2007 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2004, this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$36 million (2003 – HK\$35 million) were used to reduce the current year's level of contributions and HK\$4 million was available at 31 December 2004 (2003 – HK\$5 million) to reduce future years' contributions.

22 Pension obligations (continued)

(a) Defined benefit plans (continued)

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2004, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. The sponsoring employer's contributions have been increased from August 2004 to finance the increased cost of accrual of benefits and to fund the deficit over the employees' remaining expected future working lives. The main assumptions in the valuation are an investment return of 6.5% per annum, pensionable salary increases of 3.0% per annum and pension increases of 2.75% per annum. The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt LLP.

The Group's defined benefit pension plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The first formal valuation for funding purposes was carried out at 31 March 2003. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 61%. The sponsoring employer's contributions have been increased from April 2003 to fund the deficit over a period of 12 years. The main assumptions in the valuation are an investment return of 5.5% to 6.5% per annum and pensionable salary increases of 4% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited. The funding of the plan will be reviewed within three years of the last formal valuation.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

The Group's defined benefit retirement plan for its infrastructure operations in the United Kingdom was assumed on acquisition of a subsidiary company on 28 April 2004. The retirement plan is covered under the Water Companies Pension Scheme of which the subsidiary company is a member. Contributions to the defined benefit plan are made by the employees at 6% of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan. The actuarial valuation of the defined benefit plan was updated to 31 December 2004 by Mr. Stephen J Davies, a Fellow of the Institute of Actuaries, of Lane Clark & Peacock LLP.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK\$637 million (2003 – HK\$400 million). Forfeited contributions totalling HK\$1 million (2003 – HK\$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2004 (2003 – HK\$1 million) to reduce future years' contributions.

23 Minority interests

	2004	2003
	HK\$ millions	HK\$ millions
Equity interests	30,013	33,916
Loans – interest free	1,944	5,736
Loans – interest bearing	5,096	5,885
	37,053	45,537

The loans are unsecured and have no fixed terms of repayment.

In November 2003, the Group entered into an agreement with KPN Mobile N.V. ("KPN") whereby the Group has the right to purchase or procure the purchase of KPN's 15% interest in Hutchison 3G UK Holdings, subject to payments of £60 million in November 2003 and three equal installments of £10 million each on the last day of 2005, 2006 and 2007 for an aggregate amount of £90 million. If the Group fails to make any of the payments, the agreement terminates automatically, subject to, inter alia, KPN's right to put the shares at a later date to the Group for the total of the unpaid amounts plus accrued interest thereon up to the date of payment. The put option is exercisable during the period from 1 July to 31 December in the year after the relevant payment date. Subject to either party exercising their respective rights, completion of the transfer of the shares would take place when full and final payment is made and until that date the Group does not have the voting rights, or right to dividends arising from the shares. No gain or loss, if any, would be recognised until and subject to completion of the entire transaction.

In May 2004, the Group entered into an agreement with NTT DoCoMo, Inc. ("DoCoMo") whereby the Group has the right to purchase or procure the purchase of DoCoMo's 20% interest in Hutchison 3G UK Holdings, subject to payments of £80 million in September 2004, £20 million in January 2006 and £20 million in December 2006 for an aggregate amount of £120 million. If the Group fails to make any of the payments, the agreement terminates automatically subject to, inter alia, DoCoMo's right to put the shares at a later date to the Group for the total of the unpaid amounts plus accrued interest thereon up to the date of payment. The put option is exercisable during a three month period commencing six months after the first and second payment dates and 21 business days after the final payment date. Subject to either party exercising their respective rights, completion of the transfer of the shares would take place when full and final payment is made and until that date the Group does not have the voting rights, or right to dividends arising from the shares. No gain or loss if any, would be recognised until and subject to completion of the entire transaction. In addition, the Group has an option to make the payments to DoCoMo in cash or shares of Hutchison Telecommunications International Limited ("HTIL"), a subsidiary of the Group listed its shares on the Hong Kong Stock Exchange and the New York Stock Exchange. The amount of the payments (including the amount payable on completion following exercise of the put) may be adjusted upward or downward to account for increases or decreases in the market prices of HTIL shares held by DoCoMo pursuant to previous payments satisfied by HTIL shares. The Group has exercised the option to make the first payment to DoCoMo in shares of HTIL in October 2004.

Should either the Group or the other parties in the future exercise the rights as described above, Hutchison 3G UK Holdings would become a wholly-owned subsidiary of the Group and the credit balance related to the minority interests at that time would be eliminated. As at 31 December 2004, the credit balance of these minority holdings in Hutchison 3G UK Holdings amounted to HK\$14,997 million (2003 – HK\$18,848 million).

24 Share capital

	2004 Number of shares	2003 Number of shares	2004 HK\$ millions	2003 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7-1/2% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	4,263,370,780	4,263,370,780	1,066	1,066

25 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to EBITDA

	2004 HK\$ millions	2003 HK\$ millions
Profit before taxation	6,655	7,031
Interest and other finance costs, Company and subsidiary companies	11,050	7,715
Interest and other finance costs, share of associated companies and jointly controlled entities	1,662	1,853
Depreciation and amortisation, Company and subsidiary companies	30,263	13,166
Depreciation and amortisation, share of associated companies and jointly controlled entities	5,598	5,486
Change in fair value of investment properties, Company and subsidiary companies	(5,244)	1,809
Change in fair value of investment properties, share of associated companies and jointly controlled entities	(58)	(104)
Prepaid 3G CAC expense	8,423	917
Other non-cash items included in profit on disposal of investments and others	(22)	3,111
Release of provisions	-	(7,081)
EBITDA before prepaid 3G CAC expense	58,327	33,903
Prepaid 3G CAC expense	(8,423)	(917)
EBITDA	49,904	32,986

(b) Changes in working capital

	2004 HK\$ millions	2003 HK\$ millions
Increase in stocks	(6,386)	(3,165)
Increase in debtors and prepayments	(11,017)	(1,602)
Increase in creditors	9,762	5,180
Other non-cash items	(712)	(1,531)
	(8,353)	(1,118)

25 Notes to consolidated cash flow statement (continued)

(c) Purchase of subsidiary companies

	2004	2003
	Book value	Fair value
	HK\$ millions	HK\$ millions
Net assets acquired (excluding cash and cash equivalents):		1,665
Fixed assets	5,086	1,665
Telecommunications licences	1,653	–
Interests in associated companies	3	–
Liquid funds and other listed investments	71	–
Stocks	95	–
Debtors	1,362	(17)
Bank and other loans	(4,489)	(233)
Creditors and taxation	(680)	(1,023)
Deferred taxation	46	(370)
Goodwill	1,785	497
Minority interests	52	(63)
Loans from minority interests	3,914	(188)
	8,898	268
Less: Cost of investments just prior to purchase	(2,240)	(3)
Less: Negative goodwill charged to profit and loss account	(8)	–
	6,650	265
Discharged by:		
Cash payment		295
Less: Cash and cash equivalents purchased		(30)
		265
Total net cash consideration	6,623	265
Deferred consideration	25	–
Total consideration	6,648	265

The effect on the Group's results from the subsidiaries acquired is immaterial for the years ended 31 December 2004 and 2003.

The pre-acquisition revenue and results of the acquired subsidiaries for the period from 1 January 2004 to the date of acquisition determined using the acquired subsidiaries' accounting policies were as follows:

	Period ended at date of acquisition
	HK\$ millions
Revenue	303
Loss attributable to shareholders	1

25 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiary companies

	2004 HK\$ millions	2003 HK\$ millions
Net assets disposed of (excluding cash and cash equivalents):		
Fixed assets	24	724
Stocks	7	54
Debtors	7	463
Bank and other loans	-	(19)
Creditors and taxation	(40)	(421)
Goodwill	349	1,390
Minority interests	3,548	57
	3,895	2,248
Provision	(69)	802
Profit on disposal	5,522	1,691
	9,348	4,741
Less: Investments retained subsequent to disposal	-	(7)
	9,348	4,734
Satisfied by:		
Cash consideration	9,379	4,783
Less: Cash and cash equivalents sold	(31)	(49)
Total net cash consideration	9,348	4,734

The effect on the Group's results from the disposal of subsidiaries is immaterial for the years ended 31 December 2004 and 2003.

(e) Disposal of associated companies

	2004 HK\$ millions	2003 HK\$ millions
Net proceeds from disposal of:		
Procter & Gamble-Hutchison	14,600	-
Others	11	93
	14,611	93

The effect on the Group's results from the disposal of associated companies is immaterial for the years ended 31 December 2004 and 2003.

25 Notes to consolidated cash flow statement (continued)**(f) Analysis of changes in financing during the year**

	Bank and other loans HK\$ millions	Minority interests HK\$ millions	Total HK\$ millions
At 1 January 2004, as previously reported	267,259	45,748	313,007
Prior year adjustments (note 1a)	–	(211)	(211)
At 1 January 2004, as restated	267,259	45,537	312,796
New loans	68,755	8,057	76,812
Repayment of loans	(69,635)	(9,483)	(79,118)
Issue of shares by subsidiary companies to minorities	–	376	376
Net cash flows from financing activities	(880)	(1,050)	(1,930)
Minority interests in profit	–	(6,431)	(6,431)
Dividends payable to minority shareholders	–	(2,555)	(2,555)
Minority interests in exchange reserve	–	1,623	1,623
Minority interests in revaluation reserve	–	8	8
Exchange translation differences	7,029	344	7,373
Purchase of minority interests	–	(106)	(106)
Relating to subsidiary companies acquired	4,489	(3,865)	624
Relating to subsidiary companies disposed of	–	3,548	3,548
At 31 December 2004	277,897	37,053	314,950
At 1 January 2003, as previously reported	179,397	41,596	220,993
Prior year adjustments (note 1a)	–	(41)	(41)
At 1 January 2003, as restated	179,397	41,555	220,952
New loans	124,913	6,384	131,297
Repayment of loans	(46,871)	(2,136)	(49,007)
Issue of shares by subsidiary companies to minorities	–	430	430
Net cash flows from financing activities	78,042	4,678	82,720
Minority interests in profit	–	(1,550)	(1,550)
Dividends payable to minority shareholders	–	(3,056)	(3,056)
Minority interests in exchange reserve	–	2,615	2,615
Minority interests in revaluation reserve	–	(4)	(4)
Exchange translation differences	9,606	991	10,597
Purchase of minority interests	–	(145)	(145)
Relating to subsidiary companies acquired	233	396	629
Relating to subsidiary companies disposed of	(19)	57	38
At 31 December 2003	267,259	45,537	312,796

26 Contingent liabilities

The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	2004 HK\$ millions	2003 HK\$ millions
To associated companies		
Other businesses	1,257	1,204
To jointly controlled entities		
Property businesses	4,916	5,041
Telecommunications businesses	–	5,648
Other businesses	1,269	1,300
	6,185	11,989

At 31 December 2004 the Group had provided performance and other guarantees of HK\$5,994 million (2003 – HK\$5,005 million) primarily for telecommunications business.

27 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2004 are as follows:

Capital commitments

1. Contracted for:
 - i. Container terminals, Hong Kong – HK\$520 million (2003 – HK\$339 million)
 - ii. Container terminals, Mainland China – HK\$340 million (2003 – HK\$530 million)
 - iii. Container terminals, others – HK\$1,879 million (2003 – HK\$901 million)
 - iv. Telecommunications, **3** Group – HK\$8,081 million (2003 – HK\$14,081 million)
 - v. Hutchison Telecommunications International Limited – HK\$2,037 million (2003 – HK\$2,560 million)
 - vi. Investment properties in Hong Kong – HK\$2 million (2003 – HK\$267 million)
 - vii. Investment in Joint Venture in Hong Kong – HK\$869 million (2003 – nil)
 - viii. Investment in Joint Venture outside Hong Kong – HK\$6,914 million (2003 – HK\$1,826 million)
 - ix. Other fixed assets – HK\$231 million (2003 – HK\$552 million)
 - x. Other investments – nil (2003 – HK\$764 million)

2. Authorised but not contracted for:

The Group, as part of its annual budget process, estimates future capital expenditures and these budgeted amounts are shown below. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

 - i. Container terminals, Hong Kong – HK\$916 million (2003 – HK\$1,061 million)
 - ii. Container terminals, Mainland China – HK\$14,882 million (2003 – HK\$3,046 million)
 - iii. Container terminals, others – HK\$6,040 million (2003 – HK\$2,920 million)
 - iv. Telecommunications, **3** Group – HK\$13,550 million (2003 – HK\$22,599 million)
 - v. Hutchison Telecommunications International Limited – HK\$7,908 million (2003 – HK\$8,178 million)
 - vi. Investment properties in Hong Kong – nil (2003 – HK\$478 million)
 - vii. Investment properties outside Hong Kong – HK\$1,202 million (2003 – HK\$685 million)
 - viii. Investment in Joint Venture in Hong Kong – nil (2003 – HK\$8 million)
 - ix. Investment in Joint Venture outside Hong Kong – HK\$956 million (2003 – HK\$994 million)
 - x. Other fixed assets – HK\$5,636 million (2003 – HK\$4,677 million)

27 Commitments (continued)**Operating lease commitments – future aggregate minimum lease payments for land and buildings leases**

Established businesses

1. In the first year – HK\$5,264 million (2003 – HK\$3,490 million)
2. In the second to fifth years inclusive – HK\$13,993 million (2003 – HK\$8,392 million)
3. After the fifth year – HK\$30,845 million (2003 – HK\$10,835 million)

Telecommunications – **3** Group

1. In the first year – HK\$1,585 million (2003 – HK\$1,107 million)
2. In the second to fifth years inclusive – HK\$4,093 million (2003 – HK\$3,751 million)
3. After the fifth year – HK\$10,718 million (2003 – HK\$9,541 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

Established businesses

1. In the first year – HK\$428 million (2003 – HK\$343 million)
2. In the second to fifth years inclusive – HK\$740 million (2003 – HK\$742 million)
3. After the fifth year – HK\$1,215 million (2003 – HK\$1,278 million)

Telecommunications – **3** Group

1. In the first year – HK\$61 million (2003 – HK\$54 million)
2. In the second to fifth years inclusive – HK\$39 million (2003 – HK\$18 million)
3. After the fifth year – HK\$9 million (2003 – nil)

Other commitments

3G handsets – HK\$16,679 million (2003 – HK\$11,592 million)

28 Related parties transactions

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2004, included in associated companies and interests in joint ventures on the balance sheet is a total amount of HK\$20,520 million (2003 – HK\$19,943 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK\$4,916 million (2003 – HK\$5,041 million) for the benefit of these same entities.

29 Legal proceedings

As at 31 December 2004, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it. In December 2004, a ruling on the disputes with CIRtel International S.A. ("CIRtel") as described below, was issued and the disputes were resolved.

CIRtel Arbitration

Hutchison 3G Italia SpA ("H3G Italia") and Hutchison International Limited ("HIL") had been involved in arbitration proceedings before the International Chamber of Commerce for the resolution of a dispute with its joint venture partner CIRtel as to whether CIRtel was in breach of its funding obligations under the H3G Italia shareholders' agreement in demanding the repayment of a €373.2 million shareholder loan from CIRtel to H3G Italia, being CIRtel's pro rata contribution to finance the acquisition of a 3G national network licence in Italy and H3G Italia's initial working capital. HIL and H3G Italia initiated the arbitration proceedings, pursuant to the terms of the shareholders' agreement to seek a ruling that CIRtel was required to irrevocably commit to provide the disputed amount of funding to the joint venture.

Subsequent to the ruling, on 23 December 2004, Hutchison 3G Italy Investments S.à r.l. ("H3GII"), a subsidiary of the Group, entered into an agreement to purchase from CIRtel the CIRtel's entire shareholding in H3G Italia and all of CIRtel's right to receive repayment of loans made by CIRtel to H3G Italia and interest thereon for a total purchase price of €469.6 million. H3GII then capitalised the principal amount of the loans immediately.

30 Subsequent events

In August 2004, Cheung Kong Infrastructure ("CKI") made an investment in the North of England Gas Distribution Network. The total consideration for the project was HK\$20 billion (£1,393 million), of which CKI holds a 40% stake. The acquisition is CKI's first investment in gas distribution in the United Kingdom and the transaction is expected to be completed in mid-2005.

On 14 January 2005, the Group has filed with Autorité des Marchés Financiers offer documents relating to a proposed cash offer for the entire issued capital in, and bonds convertible or exchangeable into new or existing shares, of Marionnaud Parfumeries SA ("Marionnaud"), a company listed on the Premier Marché of Euronext Paris, for a total consideration of approximately €534 million. The offer is conditional upon securities representing more than 50.01% of the fully diluted share capital of Marionnaud being tendered to the offer. Subject to the fulfilment of the above condition, the offer is anticipated to close around April 2005.

31 US dollar equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK\$7.80 to US\$1.

32 Approval of accounts

The accounts set out on pages 116 to 170 were approved by the Board of Directors on 31 March 2005.

33 Earnings before interest expense and taxation (“EBIT”)

In accordance with the disclosure requirements of the Companies Ordinance and the Listing Rules of Hong Kong, EBIT is shown after crediting and charging the following items:

	2004 HK\$ millions	2003 HK\$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	7,121	7,286
Unlisted	1,701	1,510
	8,822	8,796
Share of gross rental income from associated companies and jointly controlled entities	571	491
Gross rental income from investment properties of subsidiary companies	1,820	1,870
Less: intra group rental income	(256)	(271)
	1,564	1,599
Less: related outgoings	(51)	(40)
Net rental income of subsidiary companies	1,513	1,559
Dividend and interest income from managed funds and other investments		
Listed	2,139	2,498
Unlisted	172	149
Charges:		
Depreciation and amortisation		
Fixed assets	15,887	9,485
Goodwill	–	425
Telecommunications licences	5,793	2,185
Telecommunications 3G customer acquisition costs	8,583	1,071
Operating leases		
Properties	7,942	6,450
Hire of plant and machinery	624	535
Auditors’ remuneration		
Audit and audit related work		
– PricewaterhouseCoopers	155	63
– Other auditors	25	7
Non audit work		
– PricewaterhouseCoopers	27	30
– Other auditors	20	7

34 Balance sheet of the Company, unconsolidated

In accordance with the disclosure requirements of the Companies Ordinance of Hong Kong, the balance sheet of the Company as at 31 December 2004 is set out as follows:

	2004 HK\$ millions	2003 HK\$ millions
Assets		
Non-current assets		
Subsidiary companies		
Unlisted shares ^(a)	728	728
Amounts due from subsidiary companies	49,556	51,415
	50,284	52,143
Current assets		
Dividends and other receivables from subsidiary companies	15,600	5,500
Current liabilities		
Bank overdrafts	2	–
Other payables and accruals	100	97
	102	97
Net current assets	15,498	5,403
Net assets	65,782	57,546
Capital and reserves		
Share capital (note 24)	1,066	1,066
Reserves ^(b)	64,716	56,480
Shareholders' funds	65,782	57,546

FOK Kin-ning, Canning

Director

Frank John SIXT

Director

34 Balance sheet of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 165 to 170.

(b) Reserves

	Share premium HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
At 1 January 2004	28,359	28,121	56,480
Profit for the year	–	15,611	15,611
2003 final dividend paid	–	(5,201)	(5,201)
2004 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2004	28,359	36,357	64,716
At 1 January 2003	28,359	27,689	56,048
Profit for the year	–	7,807	7,807
2002 final dividend paid	–	(5,201)	(5,201)
2003 interim dividend paid	–	(2,174)	(2,174)
At 31 December 2003	28,359	28,121	56,480

(c) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(d) Pursuant to the disclosure requirement of the Companies Ordinance of Hong Kong, the Company is required to disclose that it has guaranteed the borrowings of its finance and subsidiary companies which have been consolidated and included in the consolidated balance sheet of the Group. Of the consolidated debt included in notes 19 and 20 totalling HK\$277,897 million (2003 – HK\$267,259 million), the Company has guaranteed a total of HK\$217,138 million (2003 – HK\$164,299 million) which has been borrowed in the name of subsidiary companies.

(e) The Company provided guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities totalling HK\$1,110 million (2003 – HK\$6,660 million). This amount has been included in the Group's contingent liabilities disclosed in note 26.