1. PRINCIPAL ACCOUNTING POLICIES

a) *Statement of compliance*

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

b) *Basis of preparation of accounts*

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

c) *Basis of consolidation*

(i) Subsidiaries and controlled companies

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1 (f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities.

(ii) Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities. The profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated and deferred to the extent of the Group's interest in the associates until the concerned assets are on-sold to third parties. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the profit and loss account.

(iii) Goodwill/negative goodwill

The Group has adopted SSAP 30 "Business combinations" issued by the Hong Kong Society of Accountants with effect from 1 April 2001. The Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to 1 April 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

On disposal of a controlled subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit and loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

d) Properties

(i) *Investment properties*

Investment properties are defined as properties which are income producing and intended to be held for the long-term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation, less depreciation where the investment properties are held on leases with unexpired periods of 20 years or less. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the profit and loss account.

On disposal of investment properties, the revaluation surplus or deficit previously taken to investment property revaluation reserves is included in calculating the profit or loss on disposal.

(ii) *Properties under development for sale*

Properties under development for sale are classified under current assets and stated at the lower of cost, including capitalised borrowing costs, and net realisable value. Net realisable value is determined by management, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion, the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds in respect of the units sold.

Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

(iii) Properties held for sale

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by management, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

e) Depreciation of fixed assets

(i) Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each property at the date of valuation. Investment properties held on leases with unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(ii) Other fixed assets

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of the assets of between 3 to 10 years.

f) Impairment of assets

The carrying amounts of assets, other than investment properties carried at revalued amounts, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the profit and loss account.

(i) Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use.

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the period in which the reversals are recognised.

g) *Investments in securities*

(i) Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account for each security individually.

(ii) Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold, collected or otherwise disposed of or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

(iii) Trading securities are classified as short-term investment under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

h) *Cash and cash equivalent*

The Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

i) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the average exchange rate for the year. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries and associates which are dealt with in the capital reserves. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange difference which related to that overseas subsidiary or associate is included in the calculation of the profit and loss on disposal.

Gains or losses on outstanding speculative forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. Forward contracts are entered into as hedges against net investments in overseas subsidiaries and associates, gains or losses on the forward contracts are offset as reserve movements against exchange difference arising on the retranslation of the net investments.

j) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(k)(i) below.

k) Recognition of revenue

(i) Rental income under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Income from sale of completed property is recognised upon signing of the sale and purchase agreement and income from pre-sale of property under development is recognised over the course of development (see note 1(d)(ii)).

(iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

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

(vi) Income from management services is recognised upon provision of services.

(vii) Income from sale of goods is recognised when the title of the goods is transferred to the customers.

l) Income taxes

(i) Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax is provided, using the balance sheet liability method, in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profits, with limited exceptions. Deferred tax liabilities are provided in full on all temporary differences while deferred tax assets relating to carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

m) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

n) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

o) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

p) Segment reporting

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

In accordance with the Group’s internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

q) Employee benefits

(i) Defined contribution retirement schemes

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(ii) Mandatory Provident Funds

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

(iii) Central Provident Fund in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the profit and loss account when incurred.

(iv) Equity compensation benefits

When the Group grants employees options to acquire shares of the Company, the option exercise price must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, shareholders' equity is increased by the amount of the proceeds received.

(v) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

r) *Discontinued operations*

A discontinued operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

2. SEGMENT INFORMATION

a) *Business segments*

(i) *Revenue and results*

	Segment Revenue		Segment Results	
				(Restated)
	2004	2003	**2004**	2003
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**330.7**	350.2	**235.8**	253.1
Property development	**6,522.4**	7,441.9	**980.3**	562.8
Investment and others	**375.7**	286.5	**215.0**	38.0
Retail and distribution				
(disposed)	**–**	1,912.2	**–**	(49.8)
	7,228.8	9,990.8	**1,431.1**	804.1
Inter-segment revenue (Note i)	**(112.9)**	(122.8)	**–**	–
	7,115.9	9,868.0	**1,431.1**	804.1
Gain on disposal of a discontinued operation			**–**	31.5
Unallocated expenses			**(7.7)**	(14.6)
Operating profit			**1,423.4**	821.0
Borrowing costs			**(137.0)**	(254.8)
Write back of provision/(provision) for properties				
Property investment			**44.6**	(662.8)
Property development			**(4.6)**	(1,765.7)
Share of results of associates (Note ii)			**2,047.3**	1,671.0
Profit/(loss) before taxation			**3,373.7**	(191.3)
Income tax			**(536.8)**	(349.8)
Minority interests			**(534.3)**	575.8
Group profit attributable to shareholders			**2,302.6**	34.7

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

	2004 HK$ Million	2003 HK$ Million
Investment and others	**112.9**	74.4
Property investment	**–**	48.4
	112.9	122.8

(ii) Share of results of associates

	Segment Results	
	2004 HK$ Million	2003 HK$ Million
Property investment	**1,448.5**	1,560.4
Property development	**367.3**	(7.3)
Communications, media and entertainment	**215.8**	214.3
Pay television	**221.7**	165.8
Internet and multimedia	**(42.4)**	4.5
Telecommunications	**17.5**	26.5
Others	**19.0**	17.5
Logistics	**912.2**	917.8
Terminals	**866.3**	844.4
Other logistics business	**45.9**	73.4
Investment and others	**132.4**	127.3
Provision for telecommunications	**(42.4)**	–
Provision for properties	**(145.8)**	(228.6)
Provision for investment and others	**(29.0)**	(74.4)
Unallocated expenses and other items	**(572.0)**	(461.5)
Borrowing costs	**(239.7)**	(377.0)
	2,047.3	1,671.0

(ii) Assets and liabilities

	Assets		Liabilities	
		(Restated)		(Restated)
	2004	2003	**2004**	2003
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**4,015.7**	3,890.2	**98.6**	113.9
Property development	**8,060.9**	11,030.5	**1,182.9**	2,692.1
Investment and others	**1,814.9**	1,338.9	**15.0**	13.5
Segment assets and liabilities	**13,891.5**	16,259.6	**1,296.5**	2,819.5
Associates (Note)	**24,528.3**	20,487.5	**–**	–
Unallocated items	**2,458.8**	5,254.1	**8,944.5**	12,978.5
Total assets and liabilities	**40,878.6**	42,001.2	**10,241.0**	15,798.0

Note: Share of net segment assets less liabilities of associates

Property investment	**29,198.5**	25,985.8
Property development	**1,490.9**	1,316.1
Communications, media and entertainment	**2,438.9**	2,200.7
Logistics	**2,024.4**	2,075.1
Unallocated and other items	**(10,624.4)**	(11,090.2)
	24,528.3	20,487.5

Unallocated and other items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate and financing expenses.

The Group has no significant capital expenditure and depreciation and amortisation.

b) Geographical segments

(i) Revenue and results

	Segment Revenue		Segment Results (Operating Profit)	
	2004	2003	**2004**	2003
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**6,077.2**	8,709.8	**1,158.6**	310.1
Singapore	**1,038.7**	1,081.6	**264.8**	484.3
Others	**–**	76.6	**–**	26.6
	7,115.9	9,868.0	**1,423.4**	821.0

(ii) Assets

	Assets	
	2004	2003
	HK$ Million	HK$ Million
Hong Kong	**7,443.5**	12,167.2
Singapore	**6,448.0**	4,085.8
Others	**–**	6.6
	13,891.5	16,259.6

3. TURNOVER AND OPERATING PROFIT

a) *Turnover*

The principal activities of the Group are property investment, property development and investment holding. Analysis of the Group's turnover is as follows:

	2004 HK$ Million	2003 HK$ Million
Property investment	**330.7**	301.8
Property development	**6,522.4**	7,441.9
Investment and others	**262.8**	212.1
Retail and distribution (disposed)	**–**	1,912.2
	7,115.9	9,868.0

b) *Operating profit*

	2004 HK$ Million	2003 HK$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	**133.3**	357.2
– including contributions to defined contribution retirement schemes of HK$8.5 million (2003: HK$20.6 million)		
Cost of properties sold	**5,192.2**	6,609.6
Cost of inventories sold	**–**	1,146.4
Depreciation	**3.0**	60.9
Auditors' remuneration		
Audit services	**3.3**	4.4
Other services	**0.2**	2.2
Operating lease rentals – land and buildings	**1.6**	219.6
and after crediting:		
Rental income from operating leases less outgoings	**240.6**	229.8
– including gross rental income from investment properties of HK$299.8 million (2003: HK$280.8 million) of which HK$3.9 million (2003: HK$1.4 million) is contingent rentals		
Dividend income from listed investments	**32.6**	59.6

Staff costs of HK$10.3 million (2003: HK$7.2 million) were capitalised in costs of properties under development for sale.

c) *Directors' emoluments*

	2004 HK$ Million	2003 HK$ Million
Fees	**0.3**	0.4
Basic salaries, housing allowances, other allowances and benefits in kind	**4.0**	4.0
Deemed profit on share option exercise	**–**	–
Retirement scheme contributions	**–**	–
Discretionary bonuses and/or performance-related bonuses	**–**	0.7
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	4.3	5.1

For the year under review, total emoluments (including any reimbursement) amounting to HK$168,096 (2003: HK$144,890), being wholly in the form of Directors' fees, were paid or payable to Independent Non-executive Directors of the Company.

The emoluments in respect of the year ended 31 March 2004 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK$)	**2004** Number	2003 Number
Not more than $1,000,000	**11**	13
$4,000,001 – $4,500,000	**1**	1
	12	14

d) *Five highest paid employees*

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 March 2004 of which four employees (2003: four) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	2004 HK$ Million	2003 HK$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	**5.6**	8.9
Deemed profit on share option exercise	**–**	–
Pension scheme contributions	**0.2**	0.2
Discretionary bonuses and/or performance-related bonuses	**1.2**	3.2
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	7.0	12.3

(ii) Bandings

Bands (in HK$)	**2004 Number**	2003 Number
$1,500,001 – $2,000,000	**3**	–
$2,000,001 – $2,500,000	**1**	–
$2,500,001 – $3,000,000	**–**	2
$3,000,001 – $3,500,000	**–**	2
	4	4

4. OTHER NET INCOME/(LOSS)

	2004 HK$ Million	2003 HK$ Million
Net profit/(loss) on disposal of non-trading securities	**19.8**	(192.6)
Impairment of non-trading securities	**(41.4)**	–
Amortisation of negative goodwill	**45.5**	–
Deferred profits realised	**–**	30.8
Others	**(6.6)**	77.8
	17.3	(84.0)

Included in the net profit/(loss) on disposal of non-trading securities is a net deficit, before deduction of minority interests, of HK$37.4 million (2003: HK$173.7 million) transferred from the investment revaluation reserves.

5. GAIN ON DISPOSAL OF A DISCONTINUED OPERATION

In the financial year ended 31 March 2003, the Group disposed of its retail businesses portfolio, comprising 100% interest in the Lane Crawford group, 52% interest in the Joyce Boutique group and 39% interest in City'Super to certain related parties. The total consideration of the above sales was HK$589.8 million and a net gain of HK$31.5 million was recognised in the consolidated profit and loss account for the year ended 31 March 2003.

The aggregate results of the disposed discontinued operation for the previous year was as follows:

	2003 HK$ Million
Turnover	1,912.2
Other net loss	(8.8)
	1,903.4
Direct costs and operating expenses	(1,146.4)
Selling and distribution expenses	(599.2)
Administrative expenses	(207.6)
Operating loss	(49.8)
Borrowing costs	(2.5)
Share of profits less losses of associates	(1.1)
Loss before taxation	(53.4)
Income tax	(0.4)
Loss after taxation	(53.8)

6. BORROWING COSTS

	2004 **HK$ Million**	2003 HK$ Million
Interest payable on		
Bank loans and overdrafts	**129.9**	312.0
Other loans repayable within 5 years	**17.1**	55.8
Other borrowing costs	**28.7**	32.7
	175.7	400.5
Less: Amount capitalised	**(38.7)**	(145.7)
	137.0	254.8

The Group's effective borrowing rate for the year was 1.8% (2003: 2.5%) per annum.

7. INCOME TAX

a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2003: 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	2004 HK$ Million	(Restated) 2003 HK$ Million
Company and subsidiaries		
Current tax		
Hong Kong profits tax for the year	**76.9**	39.9
Overseas taxation for the year	**17.9**	165.2
Overprovision in prior years (Note ii)	**(7.7)**	(61.1)
	87.1	144.0
Deferred tax (Note 25)		
Origination and reversal of temporary differences	**9.5**	(62.9)
Overprovision in prior years	**–**	(20.5)
Effect of change in tax rates	**(4.1)**	(17.5)
	92.5	43.1
Associates		
Current tax		
Hong Kong profits tax for the year	**353.7**	216.4
Overseas taxation for the year	**15.7**	8.6
Underprovision in prior years	**32.0**	53.9
	401.4	278.9
Deferred tax		
Origination and reversal of temporary differences	**1.4**	27.8
Effect of change in tax rates	**41.5**	–
	444.3	306.7
	536.8	349.8

b) *Reconciliation between the actual total tax charge and accounting profit/(loss) at applicable tax rates*

	2004 HK$ Million	2003 HK$ Million
Profit/(loss) before taxation	**3,373.7**	(191.3)
Notional tax on accounting profit/(loss) calculated at applicable tax rates	**591.5**	(29.7)
Tax effect of non-deductible expenses	**91.0**	363.2
Tax effect of non-taxable revenue	**(105.4)**	(108.4)
Tax effect of unused tax losses not recognised	**71.6**	256.4
Tax effect of prior year's tax losses utilised this year	**(179.4)**	(86.5)
Tax effect of timing differences not recognised	**5.8**	–
Underprovision/(overprovision) in prior years	**24.3**	(27.7)
Effect of change in tax rates	**37.4**	(17.5)
Actual total tax charge	**536.8**	349.8

Notes:

(i) In March 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/04. In February 2004, the Singapore Government enacted a change in the income tax rate from 22% to 20% for the fiscal year 2004 (2003: change from 24.5% to 22%).

(ii) The overprovision for the year ended 31 March 2003 mainly represented the write-back of a tax provision resulting from the reduction of the Singapore income tax rate as mentioned above.

8. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The group profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$145.8 million (2003: HK$10.3 million).

9. DIVIDENDS

a) *Dividends attributable to the year*

	2004 HK$ Million	2003 HK$ Million
Interim dividend declared and paid of 2.5 cents (2003: 2.5 cents) per share	**50.8**	50.8
Final dividend of 6.5 cents proposed after the balance sheet date (2003: 5.0 cents) per share	**132.1**	101.6
	182.9	152.4

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

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

	2004 **HK$ Million**	2003 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2003: 5.0 cents) per share	**101.6**	101.6

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK$2,302.6 million (2003: HK$34.7 million) and on the weighted average of 2,031.8 million (2003: 2,031.8 million) ordinary shares in issue during the year. No figure for diluted earnings per share is shown as there was no outstanding share options (note 22) as at 31 March 2004.

11. CHANGE IN ACCOUNTING POLICY

SSAP 12 (revised) "Income taxes"

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 April 2003, in order to comply with SSAP 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(l) to the accounts. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, investment property revaluation reserves and revenue reserves as at 1 April 2003 were restated and decreased by HK$139.1 million and HK$365.0 million (1 April 2002: HK$115.5 million and HK$335.7 million) respectively, whilst investment revaluation reserves at 1 April 2003 were increased by HK$0.5 million (1 April 2002: HK$Nil). The adjustments mainly represented the Group's share of the deferred tax liabilities recognised by its associates in respect of temporary differences relating to fixed assets net of deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. In addition, the Group's profit attributable to shareholders for the year ended 31 March 2004 has decreased by HK$80.3 million (2003: HK$29.3 million).

12. FIXED ASSETS

Group	Investment properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Cost or valuation			
At 1 April 2003	**3,878.9**	**35.1**	**3,914.0**
Exchange differences	**86.5**	**0.4**	**86.9**
Additions	**3.8**	**2.2**	**6.0**
Disposals	**(8.2)**	**(5.7)**	**(13.9)**
Revaluation surplus	**44.6**	**–**	**44.6**
At 31 March 2004	**4,005.6**	**32.0**	**4,037.6**
Accumulated depreciation			
At 1 April 2003	**–**	**28.1**	**28.1**
Exchange differences	**–**	**0.3**	**0.3**
Charge for the year	**–**	**3.0**	**3.0**
Written back on disposals	**–**	**(4.6)**	**(4.6)**
At 31 March 2004	**–**	**26.8**	**26.8**
Net Book Value			
At 31 March 2004	**4,005.6**	**5.2**	**4,010.8**
At 31 March 2003	3,878.9	7.0	3,885.9
***a)* The analysis of cost or valuation of the above assets is as follows:**			
At valuation in 2004	**4,005.6**	**–**	**4,005.6**
At cost	**–**	**32.0**	**32.0**
	4,005.6	**32.0**	**4,037.6**
***b)* Tenure of title to properties:**			
Held in Hong Kong			
Long lease	**2,341.4**	**–**	**2,341.4**
Held outside Hong Kong			
Long lease	**1,658.9**	**–**	**1,658.9**
Medium lease	**5.3**	**–**	**5.3**
	4,005.6	**–**	**4,005.6**

c) **Properties revaluation**

The Group's investment properties in Hong Kong and Singapore have been revalued as at 31 March 2004 by Wharf Estates Development Limited, an associated company engaged in professional valuation, and CB Richard Ellis (Pte) Ltd, an independent firm of property consultants, respectively, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties, where appropriate.

The surplus arising on revaluation less minority interests, where appropriate, is dealt with in the consolidated profit and loss account in accordance with the Group's accounting policies.

d) The gross amounts of investment properties of the Group held for use in operating leases were HK$4,005.6 million (2003: HK$3,878.9 million).

e) The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants's sales receipts.

f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2004	2003
	HK$ Million	HK$ Million
Within 1 year	**221.2**	219.0
After 1 year but within 5 years	**184.2**	216.5
After 5 years	**0.1**	4.7
	405.5	440.2

13. SUBSIDIARIES

	Company	
	2004	2003
	HK$ Million	HK$ Million
Unlisted shares, at cost	**3,495.0**	3,495.0
Amounts due from subsidiaries	**5,513.8**	6,980.0
Amounts due to subsidiaries	**(4,533.0)**	(5,516.6)
	4,475.8	4,958.4

Details of principal subsidiaries at 31 March 2004 are shown on pages 73 and 74.

14. ASSOCIATES

	Group	
		(Restated)
	2004	2003
	HK$ Million	HK$ Million
Share of net assets	**26,317.2**	24,015.1
Amounts due from associates	**263.5**	560.3
Loans from associates (Note b)	**(215.6)**	(1,617.0)
Amounts due to associates (Note c)	**(1,836.8)**	(2,470.9)
	24,528.3	20,487.5
a) Analysis of the cost of investments of the above:		
Shares listed in Hong Kong	**11,483.8**	11,402.2
Unlisted shares	**78.0**	77.6
	11,561.8	11,479.8
Market value of listed shares	**28,897.6**	18,942.0

b) Loans from associates of HK$215.6 million (2003: HK$1,617.0 million) are contributed by associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2004 amounted to HK$17.0 million (2003: HK$55.8 million). The loans are unsecured and have no fixed terms of repayment.

c) Included in the amounts due to associates is an advance of HK$1,773.6 million (2003: HK$2,447.9 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial year, the advance is unsecured and interest free.

d) The Group equity accounted for the results and net assets of The Wharf (Holdings) Limited ("Wharf"), the Group's significant listed associate, based on its audited financial statements for the year ended 31 December 2003. Extracts of Wharf's audited consolidated profit and loss account and balance sheet are shown on page 78.

e) Details of principal associates at 31 March 2004 are shown on page 74.

15. LONG-TERM INVESTMENTS

	Group	
	2004	2003
	HK$ Million	HK$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	**122.6**	188.4
Listed outside Hong Kong	**981.8**	557.9
	1,104.4	746.3
Unlisted investments	**62.1**	6.9
	1,166.5	753.2

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

17. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

a) The amounts of properties under development for sale and properties held for sale carried at net realisable value is HK$4,204.6 million (2003: HK$9,464.4 million).

b) Properties under development for sale with a carrying value of HK$1,827.1 million (2003: HK$5,349.3 million) are pledged as security for banking facilities made available to the Group.

18. SHORT-TERM INVESTMENTS

	Group	
	2004	2003
	HK$ Million	HK$ Million
Held-to-maturity securities listed outside Hong Kong	**–**	23.0
Unlisted investments	**79.8**	79.0
	79.8	102.0
Market value of the above listed held-to-maturity securities	**–**	23.5

19. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

Included in trade and other receivables are stakeholders' deposits in the amount of HK$435.6 million (2003: HK$2,077.8 million) in respect of pre-sale of properties and trade debtors of HK$732.1 million (2003: HK$370.1 million). The ageing analysis of the Group's trade debtors as at 31 March 2003 and 2004 is as follows:

	Group	
	2004	2003
	HK$ Million	HK$ Million
Current	**526.7**	92.9
31 – 60 days	**82.5**	16.1
61 – 90 days	**17.0**	1.2
Over 90 days	**105.9**	259.9
	732.1	370.1

20. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Unsecured bank loans and overdrafts	**337.6**	1,645.0	**–**	475.0
Current portion of unsecured long-term bank loans	**1,930.0**	300.0	**–**	–
	2,267.6	1,945.0	**–**	475.0

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2003 and 2004 as follows:

	Group	
	2004	2003
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**216.9**	243.2
31 – 60 days	**125.3**	4.1
61 – 90 days	**303.0**	383.7
Over 90 days	**497.2**	625.1
	1,142.4	1,256.1

22. SHARE CAPITAL

	2004 No. of shares Million	2003 No. of shares Million	**2004 HK$ Million**	2003 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800.0**	2,800.0	**1,400.0**	1,400.0
Issued and fully paid				
Balance at 1 April	**2,031.8**	2,031.7	**1,015.9**	1,015.8
Exercise of share options granted under the Executive Share Incentive Scheme	**–**	0.1	**–**	0.1
Balance at 31 March	**2,031.8**	2,031.8	**1,015.9**	1,015.9

Executive share incentive scheme

The Company has a share option scheme, whereby the Directors of the Company are authorised, at their discretion, to grant employees, including directors, of the Company and/or any of its subsidiaries to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Options under the share option scheme are exercisable during such period as determined by the Directors prior to the grant of the option provided that no option may be granted which is exercisable earlier than 1 year from the date of grant or later than 10 years after such date.

Movement in share options:

	2004 No. of options	2003 No. of options
At 1 April	**–**	92,000
Exercised	**–**	(92,000)
At 31 March	**–**	–

23. RESERVES

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2003							
As previously reported	1,913.6	19.5	–	(316.8)	156.6	7,549.8	9,322.7
Prior year adjustments in respect of deferred tax (Note 11)	–	–	–	0.5	–	(33.0)	(32.5)
As restated	1,913.6	19.5	–	(316.3)	156.6	7,516.8	9,290.2
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	–	(101.6)	(101.6)
Revaluation surplus	–	–	–	287.5	–	–	287.5
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	29.8	–	–	29.8
Disposal of other property	–	–	–	–	(0.3)	–	(0.3)
Impairment of non-trading securities	–	–	–	30.8	–	–	30.8
Exchange differences	–	–	–	–	121.7	–	121.7
Profit for the year retained	–	–	–	–	–	1,367.9	1,367.9
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2004	1,913.6	19.5	–	31.8	278.0	8,732.3	10,975.2
Associates							
Balance at 1 April 2003							
As previously reported	–	–	9,799.5	(105.5)	(205.2)	3,466.5	12,955.3
Prior year adjustments in respect of deferred tax (Note 11)	–	–	(139.1)	–	–	(332.0)	(471.1)
As restated	–	–	9,660.4	(105.5)	(205.2)	3,134.5	12,484.2
Revaluation surplus	–	–	1,026.5	209.6	–	–	1,236.1
Revaluation surplus of other properties	–	–	–	–	32.7	–	32.7
Impairment of properties under or held for redevelopment	–	–	–	–	(151.6)	–	(151.6)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	2.6	–	–	2.6
Impairment of non-trading securities	–	–	–	15.9	–	–	15.9
Deferred tax liability							
Investment properties	–	–	(15.9)	–	–	–	(15.9)
Others	–	–	–	–	23.0	(8.6)	14.4
Profit for the year retained	–	–	–	–	–	934.7	934.7
Balance at 31 March 2004	–	–	10,671.0	122.6	(301.1)	4,060.6	14,553.1
Total reserves at 31 March 2004	1,913.6	19.5	10,671.0	154.4	(23.1)	12,792.9	25,528.3

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2002							
As previously reported	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
Prior year adjustments in respect of deferred tax (Note 11)	–	–	–	–	–	(24.8)	(24.8)
As restated	1,913.1	19.5	1.9	(264.0)	134.1	8,086.2	9,890.8
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	–	(101.6)	(101.6)
Premium on shares issued	0.5	–	–	–	–	–	0.5
Revaluation deficit	–	–	(1.9)	(218.3)	–	–	(220.2)
Impairment provision for other properties	–	–	–	–	(41.3)	–	(41.3)
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	166.0	–	–	166.0
Exchange differences	–	–	–	–	101.1	–	101.1
Realised on disposal of a discontinued operation	–	–	–	–	(37.3)	–	(37.3)
Loss for the year absorbed	–	–	–	–	–	(417.0)	(417.0)
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2003	1,913.6	19.5	–	(316.3)	156.6	7,516.8	9,290.2
Associates							
Balance at 1 April 2002							
As previously reported	–	–	12,602.8	51.9	(94.7)	2,993.7	15,553.7
Prior year adjustments in respect of deferred tax (Note 11)	–	–	(115.5)	–	–	(310.9)	(426.4)
As restated	–	–	12,487.3	51.9	(94.7)	2,682.8	15,127.3
Revaluation deficit	–	–	(2,826.9)	(188.5)	–	–	(3,015.4)
Revaluation deficit of other properties	–	–	–	–	(104.8)	–	(104.8)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	3.3	–	–	3.3
Impairment of non-trading securities	–	–	–	27.8	–	–	27.8
Realised on disposal of a discontinued operation	–	–	–	–	3.0	–	3.0
Others	–	–	–	–	(8.7)	–	(8.7)
Profit for the year retained	–	–	–	–	–	451.7	451.7
Balance at 31 March 2003	–	–	9,660.4	(105.5)	(205.2)	3,134.5	12,484.2
Total reserves at 31 March 2003	**1,913.6**	**19.5**	**9,660.4**	**(421.8)**	**(48.6)**	**10,651.3**	**21,774.4**

Included in the other capital reserves is negative goodwill of HK$112.5 million (2003: HK$112.5 million).

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
b) Company					
Balance at 1 April 2003	**1,913.6**	**19.5**	**77.2**	**1,451.8**	**3,462.1**
Final dividend approved in respect of the previous year (Note 9b)	**–**	**–**	**–**	**(101.6)**	**(101.6)**
Profit for the year	**–**	**–**	**–**	**145.8**	**145.8**
Interim dividend declared in respect of the current year (Note 9a)	**–**	**–**	**–**	**(50.8)**	**(50.8)**
Balance at 31 March 2004	**1,913.6**	**19.5**	**77.2**	**1,445.2**	**3,455.5**
Balance at 1 April 2002	1,913.1	19.5	77.2	1,593.9	3,603.7
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	(101.6)	(101.6)
Premium on shares issued	0.5	–	–	–	0.5
Profit for the year	–	–	–	10.3	10.3
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2003	1,913.6	19.5	77.2	1,451.8	3,462.1

Reserves of the Company available for distribution to shareholders at 31 March 2004 amounted to HK$1,445.2 million (2003: HK$1,451.8 million).

24. LONG-TERM BANK LOANS

	Group	
	2004 HK$ Million	2003 HK$ Million
Secured bank loans		
Repayable after 2 years, but within 5 years	**1,817.4**	1,635.7
Unsecured bank loans		
Repayable after 1 year, but within 2 years	**700.0**	5,200.0
Repayable after 2 years, but within 5 years	**3,346.7**	3,200.0
	4,046.7	8,400.0
	5,864.1	10,035.7

25. DEFERRED TAX

a) The components of deferred tax assets and liabilities and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK$ Million	Unremitted profits of certain overseas subsidiaries HK$ Million	Revaluation of non-trading equity securities HK$ Million	Profit on pre-sale of properties HK$ Million	Future benefits of tax losses HK$ Million	Total HK$ Million
Group						
Balance at 1 April 2002						
As previously reported	–	–	–	110.4	–	110.4
Prior year adjustment in respect of deferred tax	42.6	–	–	–	(1.3)	41.3
As restated	42.6	–	–	110.4	(1.3)	151.7
Exchange differences	–	–	–	4.4	–	4.4
Charged/(credited) to the profit and loss account	7.0	7.6	–	(114.8)	(0.7)	(100.9)
Charged to reserves	–	–	(1.0)	–	–	(1.0)
At 31 March/1 April 2003 (restated)	**49.6**	**7.6**	**(1.0)**	**–**	**(2.0)**	**54.2**
Exchange differences	**2.2**	**0.5**	**–**	**–**	**–**	**2.7**
Charged/(credited) to the profit and loss account	**4.1**	**1.6**	**–**	**–**	**(0.3)**	**5.4**
Charged to reserves	**–**	**–**	**9.4**	**–**	**–**	**9.4**
Balance at 31 March 2004	**55.9**	**9.7**	**8.4**	**–**	**(2.3)**	**71.7**

b) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2004 HK$ Million	2003 HK$ Million
Deductible temporary differences	**16.2**	9.9
Future benefits of tax losses	**537.1**	645.9
	553.3	655.8

Deferred tax assets have not been recognised as the Directors consider it is not probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilised. The deductible temporary differences and tax losses do not expire under current tax legislation.

26. DEFERRED ITEMS

Included in deferred items are deferred profits of HK$356.4 million (2003: HK$356.4 million) and negative goodwill of HK$119.2 million (2003: HK$160.1 million).

a) *Deferred profits*

Deferred profits represent unrealised profits resulting from transactions between the Group and its associates. The deferred profits will be released to the profit and loss account when the relevant assets are sold to third parties.

b) *Negative goodwill*

	Group	
	2004	2003
	HK$ Million	HK$ Million
Cost		
Balance at 1 April	**160.1**	–
Realised on disposal of the relevant assets acquired	**(45.5)**	–
Addition through increase interests in subsidiaries	**4.6**	160.1
Balance at 31 March	**119.2**	160.1

Negative goodwill, principally arising from the privatisation of Realty Development Corporation Limited in 2002/03 by a listed subsidiary of the Group, New Asia Realty and Trust Company, Limited, represents the fair values of the net assets acquired over the cost of the acquisition. The assets acquired mainly comprise investment properties, interests in associates, long-term investments and properties under development/held for sale. Negative goodwill will be released to the profit and loss account, on a proportional basis, when the relevant assets acquired are sold or otherwise realised.

The negative goodwill realised for the year was credited to other net income.

27. CONTINGENT LIABILITIES

At 31 March 2004

a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$8,570.0 million (2003: HK$10,987.2 million).

b) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK$63.2 million (2003: HK$560.9 million) of which HK$55.8 million (2003: HK$349.9 million) had been drawn at the balance sheet date.

c) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

28. COMMITMENTS

a) Commitments in respect of property developments and capital expenditures

	Group	
	2004 HK$ Million	2003 HK$ Million
Contracted but not provided for	**1,103.5**	1,757.6
Authorised but not contracted for	**–**	31.1

b) Forward exchange contracts

	Group	
	2004 HK$ Million	2003 HK$ Million
Forward exchange contracts outstanding	**1,421.3**	4,868.7

29. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2004:

a) Included in interest in associates are loans of HK$215.6 million (2003: HK$1,617.0 million) contributed by associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2004 amounted to HK$17.0 million (2003: HK$55.8 million). The loans are unsecured and have no fixed terms of repayment.

b) Included in interest in associates is an advance of HK$1,773.6 million (2003: HK$2,447.9 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial year, the advance is unsecured and interest free.

c) As disclosed in note 27(c) to the accounts, the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

d) In respect of the year ended 31 March 2004, the Group earned rental income totalling HK$37.0 million from the Lane Crawford group, which are wholly owned by a trust of which the chairman of the Company is the settlor, in respect of the leasing of the Group's certain retail premises at Shop C, Wheelock House and the Basement, Ground Floor to Fourth Floor, a portion of the Sixth floor and Rooms 706-8A of Lane Crawford House. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

30. POST BALANCE SHEET EVENTS

a) On 7 June 2004, Marco Polo Developments Limited ("MPDL"), a Singapore listed subsidiary, entered into a sale and purchase agreement to acquire a property known as No. 6 Scotts Road, Singapore at a total consideration of S$345.0 million (equal to about HK$1,576.7 million). A 10% deposit of the purchase price or S$34.5 million was paid. The property is proposed to be redeveloped into a new residential and commercial development. The residential segment of the new development will be for sale while the commercial segment will be held by MPDL as an investment property for leasing. The acquisition is expected to complete by September 2004.

b) After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 9 to the accounts.

31. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for income taxes, in order to comply with SSAP 12 (revised), details of which are set out in note 11.

32. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 14 June 2004.