

Notes to the Accounts

1. Principal accounting policies

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, properties held for development, leasehold land and buildings and other investments.

In the current year, the Group adopted SSAP 12 (revised) “Income Taxes” which became effective for accounting periods commencing on or after 1 January 2003. The change to the Group’s accounting policy for deferred taxation and the effect of adopting the revised policy are set out in Note 1(n).

Certain comparative figures have been reclassified to conform with the current year’s presentation.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The consolidated accounts also include the Group’s share of post-acquisition profits less losses, and reserves, of its associated companies. The results of subsidiaries and associated companies acquired and disposed of during the year are included in the consolidated profit and loss account from or up to their effective dates of acquisition or disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account and also any related accumulated exchange fluctuation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group’s share of the results of associated companies for the year, and the consolidated balance sheet includes the Group’s share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm’s length.

Investment properties held on leases with unexpired periods of greater than 20 years are stated at valuations undertaken annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realized in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(e) Properties held for development

Properties held for development are investments in land and buildings under or pending construction. The investments are carried at valuation of the land and development and construction expenditure incurred and interest and other direct costs attributable to the development. Properties held for development are not depreciated. On completion, the properties are transferred to investment properties or properties for sale according to the intended use of the properties.

(f) Leasehold land and buildings and other fixed assets

Leasehold land and buildings are stated at valuation, less accumulated depreciation.

Leasehold land is depreciated over the remaining period of the relevant lease. Buildings are depreciated at the annual rate of 4%.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, and are depreciated at annual rates of 10% to 20% to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis.

Improvements are capitalized and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that these fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the 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.

The gains or losses on disposal of leasehold land and buildings and other fixed assets are the difference between the net sales proceeds and the carrying amounts of the relevant assets, and are recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable on or receivable from such leases are charged or credited to the profit and loss account on a straight-line basis over the lease term.

(h) Other investments

Other investments are held for the long term and are stated at valuation. Increases in valuation are credited to the investment revaluation reserve; decreases are first set off against increases on earlier valuations and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amount of the relevant investment, together with the relevant

portion of the investment revaluation reserve realized, is dealt with in the profit and loss account.

(i) Properties for sale

Completed properties for sale remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Land cost is stated at cost or valuation carried out upon completion of the development. Any previous revaluation reserve will be frozen until the disposal of the property whereupon the frozen revaluation reserve will be transferred directly to retained earnings.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

(j) Debtors

Provision is made against debtors to the extent they are considered to be doubtful. Debtors in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and bank overdrafts and loans repayable within 3 months from date of advance.

(l) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 23, opening retained earnings at 1 April 2002 and 2003 have been reduced by HK\$4,906,000 and HK\$9,948,000 respectively, which represent net deferred tax liabilities not provided prior to the respective dates under the previous policy. This change has resulted in an increase in deferred tax assets and deferred tax liabilities and a decrease in minority interests at 31 March 2003 by HK\$2,299,000, HK\$14,709,000 and HK\$2,462,000, respectively. The profit attributable to shareholders for the year ended 31 March 2003 has been reduced by HK\$5,042,000.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(p) Revenue recognition

Revenue from the sale of properties is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Operating lease rental income is recognized on a straight-line basis over the lease period.

Dividend income is recognized when the right to receive payment is established.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Storage income and other income are recognized on an accruals basis.

(q) Employee benefits

Employee entitlements to annual leave and statutory long service payments are recognized when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset.

The capitalization rate of the borrowing costs eligible for capitalization is the interest rate applicable to the loan borrowed for that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, other investments, properties for sale, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. Turnover, revenue and segment information

The Group is principally engaged in property investment and development and management, warehousing and investment holding.

Revenues recognized during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of investment properties and properties for sale	16,380	112,226
Rental and property management	177,387	174,347
Warehousing	<u>27,046</u>	<u>25,551</u>
	<u>220,813</u>	<u>312,124</u>
Other revenues		
Dividend income from other investments	11,927	24,083
Recovery of debts under liquidation	4,710	—
Interest income	7,036	4,754
Others	<u>2,735</u>	<u>644</u>
	<u>26,408</u>	<u>29,481</u>
	<u>247,221</u>	<u>341,605</u>

Notes to the Accounts

2. Turnover, revenue and segment information *(continued)*

An analysis of turnover and profit by business and geographical segments is as follows:

Primary reporting format - business segments

	Year ended 31 March 2004					Group HK\$'000
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover						
External	16,380	177,387	27,046	—	—	220,813
Inter-segment	—	496	—	—	(496)	—
	<u>16,380</u>	<u>177,883</u>	<u>27,046</u>	<u>—</u>	<u>(496)</u>	<u>220,813</u>
Segment results	<u>1,336</u>	<u>126,819</u>	<u>(4,941)</u>	<u>15,593</u>	<u>—</u>	<u>138,807</u>
Unallocated income less expenses						<u>(15,697)</u>
Operating profit before interest						123,110
Interest income less finance costs						<u>(10,395)</u>
Operating profit						112,715
Share of profits less losses of associated companies	—	5	—	(173)		<u>(168)</u>
Profit before taxation						112,547
Taxation						<u>(6,295)</u>
Profit after taxation						106,252
Minority interests						<u>(6,910)</u>
Profit attributable to shareholders						<u>99,342</u>
Segment assets	126,176	2,765,192	65,706	582,502		3,539,576
Investment in associated companies	—	18,796	—	88,115		<u>106,911</u>
Total assets						<u>3,646,487</u>
Segment liabilities	5,000	198,795	7,573	1,766		213,134
Unallocated liabilities						<u>818,690</u>
Total liabilities						<u>1,031,824</u>
Capital expenditure	—	7,025	1,890	—		8,915
Depreciation	—	776	3,179	—		3,955

2. Turnover, revenue and segment information (continued)

Primary reporting format - business segments (continued)

	Year ended 31 March 2003, as restated					
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	112,226	174,347	25,551	—	—	312,124
Inter-segment	—	637	—	—	(637)	—
	<u>112,226</u>	<u>174,984</u>	<u>25,551</u>	<u>—</u>	<u>(637)</u>	<u>312,124</u>
Segment results	<u>43,301</u>	<u>118,191</u>	<u>(8,713)</u>	<u>19,511</u>	<u>—</u>	172,290
Unallocated income less expenses						(17,983)
Loss on disposal of subsidiaries						(13)
Gain on disposal of associated companies						<u>1,220</u>
Operating profit before interest						155,514
Interest income less finance costs						<u>(16,305)</u>
Operating profit						139,209
Share of profits less losses of associated companies	—	(328)	—	(380)		<u>(708)</u>
Profit before taxation						138,501
Taxation						<u>(14,730)</u>
Profit after taxation						123,771
Minority interests						<u>(7,959)</u>
Profit attributable to shareholders						<u>115,812</u>
Segment assets	136,571	2,173,607	70,926	607,504		2,988,608
Investment in associated companies	—	18,806	—	35,881		54,687
Unallocated assets						<u>8,740</u>
Total assets						<u>3,052,035</u>
Segment liabilities	583	202,597	8,359	923		212,462
Unallocated liabilities						<u>777,325</u>
Total liabilities						<u>989,787</u>
Capital expenditure	—	21,747	1,609	—		23,356
Depreciation	—	743	5,015	—		5,758

Notes to the Accounts**2. Turnover, revenue and segment information** *(continued)*

Secondary reporting format - geographical segments

	Year ended 31 March 2004			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	203,930	129,829	2,824,458	7,025
Singapore	3,309	13,296	650,338	—
Mainland China	13,574	(4,318)	64,780	1,890
	<u>220,813</u>	<u>138,807</u>	<u>3,539,576</u>	<u>8,915</u>
Unallocated income less expenses		<u>(15,697)</u>		
Operating profit before interest		<u>123,110</u>		
Interest income less finance costs		<u>(10,395)</u>		
Operating profit		<u>112,715</u>		
Investments in associated companies			<u>106,911</u>	
Total assets			<u>3,646,487</u>	

	Year ended 31 March 2003, as restated			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	296,623	158,401	2,235,123	20,813
Singapore	3,990	25,452	683,459	970
Mainland China	11,511	(11,563)	70,026	1,573
	<u>312,124</u>	<u>172,290</u>	<u>2,988,608</u>	<u>23,356</u>
Unallocated income less expenses		<u>(17,983)</u>		
Loss on disposal of subsidiaries		<u>(13)</u>		
Gain on disposal of associated companies		<u>1,220</u>		
Operating profit before interest		<u>155,514</u>		
Interest income less finance costs		<u>(16,305)</u>		
Operating profit		<u>139,209</u>		
Investments in associated companies			54,687	
Unallocated assets			<u>8,740</u>	
Total assets			<u>3,052,035</u>	

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
Crediting:		
Gross rental income from investment properties	160,842	165,329
Gross rental income from property held for development	7,610	8,098
Gain on disposal of investment properties	246	44,521
Gain on disposal of other fixed assets	—	123
Gain on disposal of associated companies	—	1,220
Write back of provision for other investments	80	—
Exchange gain	<u>317</u>	<u>—</u>
Charging:		
Depreciation of fixed assets	3,955	5,758
Staff costs (<i>Note 6</i>)	27,538	30,044
Outgoings in respect of investment properties	47,411	47,481
Outgoings in respect of property held for development	6,393	6,295
Operating leases – land and buildings	6,332	7,232
Loss on disposal of other fixed assets	195	—
Loss on disposal of subsidiaries	—	13
Provision for other investments	—	3,540
Auditors' remuneration	681	746
Exchange loss	<u>—</u>	<u>416</u>

4. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to Directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	420	405
Other emoluments:		
Salaries	5,466	5,473
Bonuses	1,410	1,910
Contribution to provident fund	65	66
	<u>7,361</u>	<u>7,854</u>

Directors' fees disclosed above include HK\$220,000 (2003: HK\$205,000) paid to Independent Non-Executive Directors of the Company.

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	10	10
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	—
HK\$2,000,001 – HK\$2,500,000	—	1
HK\$2,500,001 – HK\$3,000,000	1	1
	<u>13</u>	<u>13</u>

Notes to the Accounts**4. Directors' and senior management's emoluments** *(continued)***(b) Five highest paid individuals**

Among the five individuals whose emoluments were the highest in the Group for the year, four (*2003: four*) of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual was as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries	877	867
Bonuses	200	200
Contribution to provident fund	<u>12</u>	<u>12</u>
	<u>1,089</u>	<u>1,079</u>

5. Finance costs

Finance costs represent interest expense on bank loans and overdrafts.

6. Staff costs

	2004	2003
	HK\$'000	HK\$'000
Salaries, wages and other benefits	26,771	29,320
Retirement benefits	<u>767</u>	<u>724</u>
Total staff costs, including Directors' emoluments	<u>27,538</u>	<u>30,044</u>

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Two subsidiaries operate in a country which has central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries, according to the statutory requirements. The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group in respect of the above retirement schemes.

Contributions totaling HK\$66,000 (*2003: HK\$50,000*) were payable to the schemes at the end of the year and are included in creditors and accruals.

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries and associated companies operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Hong Kong profits tax	(8,236)	(7,606)
Overseas taxation	(47)	(52)
Over provisions in prior years	2,074	7
Deferred taxation (Note 26)	(70)	(6,908)
	(6,279)	(14,559)
Share of taxation attributable to associated companies	(16)	(171)
Taxation charges	<u>(6,295)</u>	<u>(14,730)</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

Profit before taxation	<u>112,547</u>	<u>138,501</u>
Calculated at a taxation rate of 17.5% (2003: 16%)	(19,696)	(22,160)
Effect of different taxation rates in other countries	(16)	(97)
Income not subject to taxation	4,226	11,512
Expenses not deductible for taxation purposes	(1,867)	(2,291)
Utilization of previously unrecognized tax losses	2,668	582
Recognition of previously unrecognized tax losses	6,343	—
Unrecognized tax losses	(92)	(348)
Over provisions in prior years	2,074	7
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	—	(1,338)
Difference between tax rates for current and deferred taxation	—	(496)
Others	65	(101)
Taxation charges	<u>(6,295)</u>	<u>(14,730)</u>

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$11,077,000 (2003: HK\$24,133,000).

9. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend, paid, of HK\$0.05 per share (2003: HK\$0.05 per share)	12,984	12,984
Final dividend, proposed, of HK\$0.07 per share (2003: HK\$0.05 per share)	18,178	12,984
	<u>31,162</u>	<u>25,968</u>

At a meeting held on 15 July 2004 the Directors recommended a final dividend of HK\$0.07 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2005.

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10. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$99,342,000 (2003: HK\$115,812,000) and 259,685,288 (2003: 259,685,288) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2004 (2003: Nil).

11. Related party and connected transactions

- (a) Transactions between the Group and the Winsor Industrial Corporation, Limited (“WICL”) Group constituted connected transactions (“Connected Transactions”) as defined under Chapter 14A of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) by reason that WICL is an associate (within the meaning of the Listing Rules) of certain substantial shareholders of the Company. A summary of the continuing Connected Transactions between the Group and the WICL Group is set out below. In the opinion of the Directors, the transactions were carried out in the ordinary and usual course of the Group’s business on terms no less favourable to the Group than terms available to or from independent third parties. All underlying transactions are exempt under Rule 14A.33 of the Listing Rules and the summary is provided to comply with SSAP 20 “Related Party Disclosures” by reason that certain Directors of the Company are also directors of WICL.

	2004 HK\$’000	2003 HK\$’000
Rental and storage income received from the WICL Group	2,279	2,614
Rental expenses paid to the WICL Group	685	1,171
Sharing of administrative services with the WICL Group	<u>1,517</u>	<u>2,657</u>

- (b) The following transactions constituted Connected Transactions by reason that USI Holdings Limited (“USI”, a company listed on the Stock Exchange), is deemed a substantial shareholder of the Company:

In a government auction held on 15 April 2002, Landyork Investment Limited (“Landyork”) acquired Sha Tin Town Lot No. 526, No. 2 Lok Kwai Path, Area 43, Sha Tin, New Territories, Hong Kong (the “Lot”) for the purpose of a residential development (“The Grandville Project”). On 18 April 2002 the Company agreed with USI to establish a company in the name of Universal Plus Limited (“Universal”) for the sole purpose of investing in 50% of the issued share capital of Landyork. 20% of the issued share capital of Universal is held by a wholly owned subsidiary of the Company, and the other 80% by a wholly owned subsidiary of USI. The other 50% of Landyork’s issued share capital is held by Nan Fung Textiles Consolidated Limited (“Nan Fung”). The Company therefore has a 10% attributable indirect shareholding in Landyork.

The cost of the Lot is HK\$660 million and the construction costs of The Grandville Project are estimated at HK\$670 million. Completion of The Grandville Project is expected to take about 4 years. Nan Fung, USI and the Company have contributed to pay half of the land cost by way of shareholders’ loans to Landyork in proportion to their respective attributable percentage shareholding in Landyork (the “Relevant Percentage” which is 10% in the case of the Company) and the Company’s contribution is HK\$33 million.

Landyork entered into a loan agreement on 25 June 2002 with the banks named therein and the Bank of China (Hong Kong) Limited as agent for the lenders (“Agent”) in relation to certain loan facilities (the “Facilities”) in the aggregate principal amount of HK\$1,000 million for the purposes of financing the balance of the land cost and the construction cost of The Grandville Project. As security for the Facilities, Nan Fung, USI and the Company (the “Guarantors”) have each provided a several repayment guarantee in favour of the Agent to the extent of their Relevant Percentage (10% in the case of the Company) of Landyork’s liabilities under the Facilities. The outstanding balance at 31 March 2004 under the Facilities was HK\$373,895,000 (2003: HK\$338,171,000). The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion of or to complete The Grandville Project, and secondly to provide funding for The Grandville Project upon the happening of certain events. The Guarantors’ funding and payment obligations under the said completion guarantee and funding agreement are several and limited to their respective Relevant Percentage (10% in the case of the Company).

The loans advanced by the Group to Universal in proportion to the Group's 20% equity interest therein are unsecured, have no fixed terms of repayment and carry interest at the rate of Hong Kong prime rate less 3% per annum. As at 31 March 2004, these loans amounted to HK\$35,493,000 (2003: HK\$34,305,000) (Note 14) and the interest receivable by the Group from Universal amounted to HK\$1,339,000 (2003: HK\$628,000).

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are also directors of USI.

- (e) The following transactions constituted Connected Transactions by reason that Wing Tai Holdings Limited, Singapore ("Wing Tai", a company listed on the Singapore Stock Exchange), is deemed a substantial shareholder of the Company:

On 21 June 2002, Winprop Pte. Ltd. ("Winprop"), a wholly owned subsidiary of the Group newly established in Singapore, entered into a subscription agreement with Winworth Investment Pte Ltd, Singapore ("Winworth") to subscribe 176,471 new ordinary shares of S\$1.00 each in Winworth at par for cash and to advance to Winworth a loan of S\$30 million ("Subscription Loan"). The new shares in Winworth represent 15% of its enlarged share capital, and the other 85% is held by Wing Tai Land Pte. Ltd., Singapore ("WTL"), a wholly owned subsidiary of Wing Tai. Upon completion of the subscription agreement on 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth for a nominal consideration such that the loans owing by Winworth to Winprop and WTL respectively are in the proportion of 15% and 85%.

The Subscription Loan is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from the date of advance and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2004, the balance of the Subscription Loan advanced to Winworth amounted to HK\$109,371,000 (2003: HK\$131,760,000) (Note 15) and interest receivable by Winprop from Winworth amounted to HK\$9,993,000 (2003: HK\$4,105,000).

The rest of the loans owing by Winworth to its shareholders are unsecured, interest free and have no fixed terms of repayment. All the loans owing by Winworth to its shareholders have been subordinated to the indebtedness of Winworth to its bankers.

Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as "Draycott Eight". Construction costs will be funded by Winworth's existing banking facilities and presale proceeds, and the development is scheduled for completion in the second half of year of 2005.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are both beneficiaries of a family trust, the assets of which included indirect interests in 239,277,272 shares (2003: 239,277,272 shares) in Wing Tai, representing 39.01% of Wing Tai's issued share capital as at 31 March 2004 (2003: 39.09%).

Mr. Langley, Christopher Patrick, independent non-executive Director of the Company, was appointed independent non-executive director of Wing Tai on 25 June 2003.

Notes to the Accounts

11. Related party and connected transactions *(continued)*

- (d) The following transactions constituted Connected Transactions by reason that both Wing Tai and USI are deemed substantial shareholders of the Company:

At 31 March 2003 the Group held one share in Winhome Investment Pte Ltd (“Winhome”), a company incorporated in Singapore. Of the other two issued shares in Winhome, one share was held by WTL and the other share was held by a wholly-owned subsidiary of USI. Winhome was then dormant.

On 27 October 2003 the Urban Redevelopment Authority of Singapore awarded the tender for the 99-year leasehold residential land parcel 657 at Flower Road / Kovan Road (“the Land Parcel”) to Winwill Investment Pte Ltd (“Winwill”) and two independent third parties collectively at the tender sale price of S\$255 million. The Group was invited to participate in the joint venture for the development of the Land Parcel for sale (“the Kovan Melody Project”) and it was agreed that Winhome shall be the developer of the Land Parcel.

In order to effect the joint venture, the issued share capitals of Winwill and Winhome have been restructured. All the transfers and allotments of shares were carried out on the basis of the par value of the shares which is S\$1.00 each for both companies. As at 31 March 2004, the respective shareholding proportions in Winwill and Winhome and the effective participation proportions in the Kovan Melody Project (“Effective Participation Proportions”) of the participating parties are as follows:

	<u>Shareholding proportions</u>	<u>Effective Participation Proportions</u>
<u>Shareholders of Winwill</u>		
WTL, a wholly owned subsidiary of Wing Tai	60%	36%
Kosheen Investments Ltd. (“Kosheen”), a wholly owned subsidiary of USI	20%	12%
Winprop, a wholly owned subsidiary of the Company	20%	12%
<u>Shareholders of Winhome</u>		
Winwill	60%	
ChoiceHomes Investments Pte Ltd, an independent third party	30%	30%
Greatearth Developments Pte Ltd, an independent third party	10%	10%

The respective shareholders of Winwill and Winhome have entered into shareholders’ agreements to, amongst other things, regulate their relationship as shareholders of the two companies.

The Land Parcel has a site area of 25,272.5 square metres and the maximum permissible gross floor area is 88,454.0 square metres. It is being developed into condominium apartments for sale and the development, known as “Kovan Melody”, is planned for completion in mid 2006.

The participating parties have in aggregate contributed S\$90,650,000 in their respective Effective Participation Proportions towards the land cost. Winhome has obtained banking facilities (“the Facilities”) to finance the remaining land cost and part of the development costs, and expects to finance the remaining costs via pre-sale proceeds. Wing Tai has provided in full on behalf of Winwill the proportionate guarantees and undertakings to be given by Winwill on a several basis under the terms of the Facilities. In consideration of Wing Tai so doing, each of Kosheen and Winprop has undertaken, should it become necessary for Wing Tai to provide cash to Winhome under the said guarantees and undertakings, to indemnify Wing Tai to the extent of 20% of Wing Tai’s obligations thereunder.

The loans advanced by Winprop to Winwill in proportion to Winprop’s 20% equity interest therein are unsecured, have no fixed terms of repayment and, except for an amount equivalent to S\$120,000 representing 12% of Winhome’s issued share capital, carry interest at the rate of 3.5% per annum. As at 31 March 2004, these loans amounted to HK\$49,960,000 (2003: Nil) (Note 14) and interest receivable by Winprop from Winwill amounted to HK\$550,000 (2003: Nil).

12. Fixed assets

	Group				Total
	Investment properties	Leasehold land and buildings	Property held for development	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost or valuation					
At 1 April 2003	1,678,096	40,353	453,000	42,717	2,214,166
Translation differences	3,870	(10)	—	57	3,917
Additions	—	1,701	6,523	691	8,915
Revaluation	73,305	(6,349)	427,477	—	494,433
Disposals	(4,560)	—	—	(461)	(5,021)
At 31 March 2004	1,750,711	35,695	887,000	43,004	2,716,410
Accumulated depreciation					
At 1 April 2003	—	—	—	35,902	35,902
Translation differences	—	—	—	24	24
Revaluation	—	(765)	—	—	(765)
Charge for the year	—	2,569	—	1,386	3,955
Disposals	—	—	—	(266)	(266)
At 31 March 2004	—	1,804	—	37,046	38,850
Net book value					
At 31 March 2004	1,750,711	33,891	887,000	5,958	2,677,560
At 31 March 2003	1,678,096	40,353	453,000	6,815	2,178,264
Analysis of cost or valuation:					
At valuation	1,750,711	35,695	887,000	—	2,673,406
At cost	—	—	—	43,004	43,004
	1,750,711	35,695	887,000	43,004	2,716,410

Net book value of investment properties, leasehold land and buildings and property held for development are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Held in Hong Kong:		
On medium-term leases	2,569,850	2,055,020
Held outside Hong Kong:		
On long-term leases	67,861	76,076
On medium-term leases	4,302	9,572
On short-term renewable leases	29,589	30,781
	2,671,602	2,171,449

Investment properties (other than agricultural lots) and property held for development held in Hong Kong were revalued at 31 March 2004 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2004 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2004 by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis.

Leasehold land and buildings held outside Hong Kong on medium-term and short-term renewable leases are held in Mainland China and are stated at Directors' valuations at 31 March 2004 carried out on the depreciated replacement cost basis.

Other fixed assets are stated at cost less accumulated depreciation.

Certain investment properties with a total net book value of HK\$1,518,841,000 as at 31 March 2004 (2003: HK\$1,451,366,000) have been mortgaged to secure the Group's banking facilities.

Notes to the Accounts

13. Subsidiaries

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,306,333	3,321,157
Less: Provision	<u>(578,982)</u>	<u>(828,500)</u>
	<u>2,727,352</u>	<u>2,492,658</u>

A legal charge over the Group's shareholding in Winsor Air Cargo Centre Limited has been executed in favour of a bank to secure a loan facility of HK\$16,717,000 (2003: HK\$32,115,000) granted to Winsor Air Cargo Centre Limited.

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

Particulars of the subsidiaries are set out on pages 43 to 44.

14. Associated companies

	Group	
	2004	2003
	HK\$'000	HK\$'000
Group's share of net assets	3,886	4,070
Amounts and loans due from associated companies	<u>103,025</u>	<u>50,617</u>
	<u>106,911</u>	<u>54,687</u>
Investments at cost – unlisted shares	<u>9,874</u>	<u>9,874</u>

The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. An amount of HK\$35,493,000 (2003: HK\$34,305,000) due from Universal (Note 11(b)) carries interest at Hong Kong prime rate less 3% per annum. Except for an amount equivalent to SGD120,000 representing 12% of Winhome's issued share capital, the amount of HK\$49,960,000 (2003: Nil) due from Winwill (Note 11(d)) carries interest at 3.5% per annum. All other amounts and loans due from associated companies are interest free.

Particulars of the associated companies are set out on page 44.

15. Other investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted investments, at valuation	461,990	470,650
Loans due from unlisted investments	123,427	139,928
Less: Provision	<u>(3,262)</u>	<u>(3,262)</u>
	<u>582,155</u>	<u>607,316</u>

Unlisted investments include investments in 5.14% (2003: 5.14%) and 10.06% (2003: 10.06%) respectively of the ordinary share capitals of Suntec City Development Pte. Ltd. and Suntec Investments Pte. Ltd., both incorporated in Singapore ("the Suntec Interests").

As at 31 March 2004, the Suntec Interests were revalued by the Directors on a business valuation basis with reference to the property market in Singapore at HK\$459,845,000 (2003: HK\$468,586,000). The valuation deficit has been debited to the investment revaluation reserve account (Note 22). The carrying amount of the Group's investment in Suntec City Development Pte. Ltd. exceeded 10% of the total assets of the Group.

The Subscription Loan advanced by Winprop to Winworth (Note 11(c)) is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2004, the balance of the Subscription Loan amounted to HK\$109,371,000 (2003: HK\$131,760,000) and has been subordinated to the indebtedness of Winworth to its bankers.

All other loans due from unlisted investments are unsecured, interest free and have no fixed terms of repayment.

16. Other receivables

	Group	
	2004	2003
	HK\$'000	HK\$'000
Loans due from third parties	173,375	178,085
Less: Provision	<u>(173,375)</u>	<u>(178,085)</u>
	<u>—</u>	<u>—</u>

The loans were advanced by the Group to two construction companies ("the Borrowers"), which are independent third parties, pursuant to a loan agreement dated 27 March 1998. On 27 November 1998 the Borrowers commenced voluntary liquidation and the Group made full provision against the loans. During the year, a dividend of HK\$4,710,000 (2003: Nil) was received from the liquidators of the Borrowers.

17. Properties for sale

Properties for sale have been mortgaged to secure the Group's banking facilities.

Notes to the Accounts**18. Debtors and receivables**

Included in debtors and receivables are trade debtors which represent mainly rents receivable from tenants of the Group's properties. The Group maintains a defined policy in respect of rent collection. Reminders are issued half-monthly when rents are overdue for 15 days, and legal actions will be taken when rents are overdue for two months. The ageing analysis of trade debtors is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 45 days	4,373	4,165
46 – 90 days	2,417	2,102
Over 90 days	<u>725</u>	<u>2,518</u>
	<u>7,515</u>	<u>8,785</u>

19. Creditors and accruals

Included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 45 days	2,206	2,113
46 – 90 days	311	9
Over 90 days	<u>—</u>	<u>15</u>
	<u>2,517</u>	<u>2,137</u>

20. Bank loans and overdrafts

	Group	
	2004	2003
	HK\$'000	HK\$'000
Repayable on demand or within one year:		
Secured	52,296	38,846
Unsecured	<u>—</u>	<u>156</u>
	52,296	39,002
Current portion of long term bank loans (<i>Note 24</i>)	<u>117,892</u>	<u>89,436</u>
	<u>170,188</u>	<u>128,438</u>

Short term bank loans included an amount of HK\$9,296,000 (*2003: HK\$8,846,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,645,017,000 at 31 March 2004 (*2003: HK\$1,587,937,000*) have been mortgaged to secure the Group's short term and long term bank loans.

21. Share capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2003 and 2004	<u>750,000,000</u>	<u>7,500</u>
Issued and fully paid:		
At 31 March 2003 and 2004	<u>259,685,288</u>	<u>2,596</u>

22. Reserves

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contributed surplus				
At 1 April of the previous year	857,373	857,373	2,439,451	2,542,087
Reversal of provision/(provision) for subsidiaries	<u>—</u>	<u>—</u>	<u>249,518</u>	<u>(102,636)</u>
At 31 March	<u>857,373</u>	<u>857,373</u>	<u>2,688,969</u>	<u>2,439,451</u>
Land and buildings revaluation reserve				
At 1 April of the previous year	179,569	197,477	—	—
Transfer to retained earnings on disposal of properties for sale	<u>(3,341)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Arising from revaluation	<u>427,477</u>	<u>(17,908)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>603,705</u>	<u>179,569</u>	<u>—</u>	<u>—</u>
Investment properties revaluation reserve				
At 1 April of the previous year	524,380	610,549	—	—
Amount realized on disposal of investment properties	<u>(101)</u>	<u>(45,802)</u>	<u>—</u>	<u>—</u>
Amount realized on disposal of associated companies	<u>—</u>	<u>(422)</u>	<u>—</u>	<u>—</u>
Arising from revaluation	<u>65,763</u>	<u>(39,945)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>590,042</u>	<u>524,380</u>	<u>—</u>	<u>—</u>
Investment revaluation reserve				
At 1 April of the previous year	368,204	370,280	—	—
Arising from revaluation	<u>(8,741)</u>	<u>(2,076)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>359,463</u>	<u>368,204</u>	<u>—</u>	<u>—</u>
Exchange fluctuation account				
At 1 April of the previous year	(12,138)	(13,098)	—	—
Net movement for the year	<u>(5,357)</u>	<u>960</u>	<u>—</u>	<u>—</u>
At 31 March	<u>(17,495)</u>	<u>(12,138)</u>	<u>—</u>	<u>—</u>
Total reserves	<u>2,393,088</u>	<u>1,917,388</u>	<u>2,688,969</u>	<u>2,439,451</u>

The Group's associated companies do not have any undistributed post-acquisition reserves.

Notes to the Accounts

23. Retained earnings

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year, as previously reported	152,212	57,326	50,770	52,605
Change in accounting policy – provision for net deferred tax liabilities (<i>Note 1(n)</i>)	<u>(9,948)</u>	<u>(4,906)</u>	<u>—</u>	<u>—</u>
At 1 April of the previous year, as restated	142,264	52,420	50,770	52,605
Transfer from land and buildings revaluation reserve	3,341	—	—	—
Profit for the year	99,342	115,812	11,077	24,133
Prior year final dividend paid	(12,984)	(12,984)	(12,984)	(12,984)
Interim dividend paid (<i>Note 9</i>)	<u>(12,984)</u>	<u>(12,984)</u>	<u>(12,984)</u>	<u>(12,984)</u>
At 31 March	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Represented by:				
Retained earnings	200,801	129,280	17,701	37,786
Final dividend proposed (<i>Note 9</i>)	<u>18,178</u>	<u>12,984</u>	<u>18,178</u>	<u>12,984</u>
	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Company and subsidiaries				
Company and subsidiaries	221,274	144,375	35,879	50,770
Associated companies	<u>(2,295)</u>	<u>(2,111)</u>	<u>—</u>	<u>—</u>
	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Profit for the year retained by:				
Company and subsidiaries	73,558	90,845	(14,891)	(1,835)
Associated companies	<u>(184)</u>	<u>(1,001)</u>	<u>—</u>	<u>—</u>
	<u>73,374</u>	<u>89,844</u>	<u>(14,891)</u>	<u>(1,835)</u>

24. Long term bank loans

	Group	
	2004 HK\$'000	2003 HK\$'000
Secured – wholly repayable within five years	763,525	733,391
Less: Amount repayable within one year included under current liabilities (<i>Note 20</i>)	<u>(117,892)</u>	<u>(89,436)</u>
	<u>645,633</u>	<u>643,955</u>
The long term bank loans are repayable as follows:		
Within one year	117,892	89,436
In the second year	421,664	142,193
In the third to fifth years inclusive	<u>223,969</u>	<u>501,762</u>
	<u>763,525</u>	<u>733,391</u>

The long term bank loans included an amount of HK\$228,397,000 (2003: HK\$169,227,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,645,017,000 at 31 March 2004 (2003: HK\$1,587,937,000) have been mortgaged to secure the Group's short term and long term bank loans.

25. Other long term loans

	Group	
	2004 HK\$'000	2003 HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>145,496</u>	<u>155,717</u>

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

26. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement of the net deferred tax liabilities is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year	21,030	14,122
Charged to profit and loss account (Note 7)	<u>70</u>	<u>6,908</u>
At 31 March	<u>21,100</u>	<u>21,030</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$2,987,000 (2003: HK\$10,439,000) to carry forward against future taxable income.

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

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year	8,708	9,769	—	151	8,708	9,920
Credited/(charged) to profit and loss account	<u>3,730</u>	<u>(1,061)</u>	<u>—</u>	<u>(151)</u>	<u>3,730</u>	<u>(1,212)</u>
At 31 March	<u>12,438</u>	<u>8,708</u>	<u>—</u>	<u>—</u>	<u>12,438</u>	<u>8,708</u>

Deferred tax liabilities

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year	29,738	24,042
Charged to profit and loss account	<u>3,800</u>	<u>5,696</u>
At 31 March	<u>33,538</u>	<u>29,738</u>

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(6,766)	(2,299)
Deferred tax liabilities	<u>27,866</u>	<u>23,329</u>
	<u>21,100</u>	<u>21,030</u>

Notes to the Accounts**27. Future lease receipts**

	Group	
	2004	2003
	HK\$'000	HK\$'000
At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:		
Not later than one year	107,796	122,541
Later than one year and not later than five years	<u>43,262</u>	<u>64,545</u>
	<u>151,058</u>	<u>187,086</u>

Future minimum lease receipts under non-cancelable operating leases as at 31 March 2004 in respect of Fibres and Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong, Hong Kong have been included up to 30 June 2004 only as the said property was disposed of on that date (*Note 32*).

28. Capital commitments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Contracted but not provided for	245	521
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>245</u>	<u>521</u>

29. Lease commitments

	Group	
	2004	2003
	HK\$'000	HK\$'000
At the end of the year the Group had future aggregate minimum lease payments under non-cancelable operating leases for land and buildings as follows:		
Not later than one year	5,407	6,333
Later than one year and not later than five years	<u>4,550</u>	<u>430</u>
	<u>9,957</u>	<u>6,763</u>

30. Contingent liabilities

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	—	—	1,394,940	1,227,578
Guarantees given in respect of banking facilities granted to Landyork (<i>Note 11(b)</i>) in proportion to the Group's 10% effective equity interest	100,000	100,000	100,000	100,000
Indemnity given in respect of banking facilities granted to Winhome (<i>Note 11(d)</i>) in proportion to the Group's 12% effective equity interest	<u>111,552</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>211,552</u>	<u>100,000</u>	<u>1,494,940</u>	<u>1,327,578</u>

31. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2004 HK\$'000	2003 HK\$'000
Operating profit	112,715	139,209
Valuation decrease of land and buildings	5,584	8,173
Depreciation charges	3,955	5,758
Gain on disposal of fixed assets	(51)	(44,644)
Loss on disposal of subsidiaries	—	13
Gain on disposal of associated companies	—	(1,220)
(Write back of provision)/provision for other investments	(80)	3,540
Recovery of debts under liquidation	(4,710)	—
Interest income	(7,036)	(4,754)
Interest expenses	17,431	21,059
Dividend income	(11,927)	(24,083)
Exchange translation differences	552	(287)
Operating profit before working capital changes	116,433	102,764
Decrease in properties for sale	10,395	1,219
Decrease in debtors and receivables	9,555	18,932
(Decrease)/increase in creditors and accruals	(4,887)	3,465
Net cash inflow generated from operations	<u>131,496</u>	<u>126,380</u>

(b) Disposal of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of		
Debtors and receivables	—	490
Minority interests	—	(477)
	—	13
Loss on disposal	—	(13)
	—	—
Net inflow of cash	<u>—</u>	<u>—</u>

(c) Distribution in specie to minority interests in subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets distributed		
Fixed assets	—	17,002
Debtors and receivables	—	865
Creditors and accruals	—	(566)
	—	17,301
Minority interests discharged	—	(17,301)
	—	—
Net outflow of cash	<u>—</u>	<u>—</u>

Notes to the Accounts

31. Notes to the consolidated cash flow statement (continued)

(d) Analysis of changes in financing

	Minority interests		Bank and other loans	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year, as previously reported	(22,471)	(5,984)	927,954	888,109
Change in accounting policy – provision for net deferred tax liabilities (Note 1(n))	(2,462)	(1,848)	—	—
At 1 April of the previous year, as restated	(24,933)	(7,832)	927,954	888,109
Exchange differences	—	—	10,209	2,132
Disposal of subsidiaries	—	(477)	—	—
Distribution in specie to minority interests	—	(17,301)	—	—
Minority interests in share of profits and reserves	14,452	677	—	—
Cash (outflow)/inflow from financing	(900)	—	23,154	37,713
At 31 March	(11,381)	(24,933)	961,317	927,954

(e) Analysis of bank and other loans

	2004 HK\$'000	2003 HK\$'000
Bank loans and overdrafts (Note 20)	52,296	39,002
Less: Amount included under cash equivalents	—	(156)
	52,296	38,846
Long term bank loans (Note 24)	763,525	733,391
Other long term loans (Note 25)	145,496	155,717
	961,317	927,954

32. Subsequent event

On 30 June 2004, Hanbury Development Company Limited, an indirect wholly-owned subsidiary of the Company, completed the disposal of the entire building known as Fibres & Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong, Hong Kong (“the Property”) to an independent third party. The consideration for the disposal in the sum of HK\$250 million payable in cash has been received in full.

The Property is an industrial development with a total gross floor area of 305,462 sq.ft. and has been leased out to outside parties for rental income since completion of its construction in March 1986. The book value of the Property was HK\$240 million as at 31 March 2004. Including revaluation reserves realized, the estimated profit attributable to shareholders from the disposal of the Property is approximately HK\$210 million and will be recognized in the year ending 31 March 2005.

The proceeds from the disposal have been partly applied by the Group to reduce the Group’s bank borrowings and partly retained as the Group’s working capital as well as funding for the Group’s development projects on hand.

33. Approval of accounts

The accounts set out on pages 15 to 44 were approved by the Board of Directors on 15 July 2004.